

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

STATE REVOLVING LOAN PROGRAM
for
Point Source Water Pollution Control

LOAN APPLICATION



Florida Department of Environmental Protection
State Revolving Fund Program
Marjory Stoneman Douglas Building
3900 Commonwealth Blvd., MS 3505
Tallahassee, FL 32399-3000

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LOAN APPLICATION

- (1) SUBMITTAL. Submit the application and attachments to the Department of Environmental Protection, MS 3505, State Revolving Fund Program, 3900 Commonwealth Blvd., Tallahassee, Florida 32399-3000. The application (and backup) may be submitted electronically to the Department's Project Manager.
(2) COMPLETING THE APPLICATION.
(a) This application consists of five parts: (I) ADMINISTRATIVE INFORMATION; (II) PROJECT INFORMATION; (III) FINANCIAL INFORMATION; (IV) AUTHORIZATION AND ASSURANCES; and (V) SUPPLEMENTARY INFORMATION.
(b) All information provided on this application must be printed. Monetary amounts may be rounded.
(c) Forms and attachments to be submitted are denoted with italic print.
(3) ASSISTANCE. Completing this application may require information that can be obtained from Clean Water State Revolving Fund Program staff. Please email SRF_Reporting@dep.state.fl.us for assistance in completing this application.

PART I - ADMINISTRATIVE INFORMATION

(1) PROJECT SPONSOR City of Flagler Beach
Federal Employer Identification Number 59-6002308
DUNS Number 848865044

(2) AUTHORIZED REPRESENTATIVE (person authorized to sign or attest loan documents).
Name Linda Provencher Title Mayor
Telephone 386-439-8815 FAX Email lprovencher@cityofflaglerbeach.com
Mailing Address 105 S 2nd Street P.O. Box 70 Flagler Beach, FL 32136

(3) PRIMARY CONTACT (person to answer questions regarding this application).
Name Benjamin M. Fries Title Vice President / Design Manager
Telephone 407-3222-6841 FAX Email bfries@cphcorp.com
Employer CPH, Inc.
Mailing Address 500 West Fulton Street, Sanford FL 32771

(4) ADDITIONAL CONTACTS. If more than one additional person is to receive copies of Department correspondence, attach the information (Attachment # _____).
Name Daniella Frye Title Project Engineer
Telephone 941-735-2320 FAX Email dtow@cphcorp.com
Employer CPH, Inc.
Mailing Address 500 West Fulton Street, Sanford, FL 32771

(5) PROJECT NUMBER (listed on the Department's priority list). WW18013

(6) INTERIM FINANCING. A local government project sponsor that has interim financing may be subject to certain conditions regarding such financing.

Is the project currently being funded with interim financing? [] Yes [X] No

PART II – PROJECT INFORMATION

If you are applying for a planning, design, or SSES loan for a project that will involve construction, complete only Subpart A below. If you are applying for a loan to construct a project that is already planned and designed, complete only Subpart B below.

A. PLANNING, DESIGN OR SSES PROJECT

Information should be provided for each separate facility to be planned and designed as appropriate. For design/build projects (not eligible for design loans) or those where multiple facilities, segments, or phases are involved, please attach information for activities, schedule, and cost for each. (Attachment #____)

- (1) **ACTIVITIES.** Attach a brief description of the scope of planning and design activities to be financed by this loan. Include a list of any specialized studies to be performed. (Attachment #____) Are these activities the same as those scheduled on the *Request for Inclusion Form*? Yes No. If “No”, please explain. (Attachment #____)
- (2) **SCHEDULE.**
 - (a) Provide proposed completion dates for the items. (Please call Department staff to discuss time frames needed to complete required tasks.)
Planning documentation _____
Engineering work _____
Certification of site availability _____
Permit _____
 - (b) Do you anticipate that an interlocal agreement with another party will be necessary to implement the project? If “Yes”, please explain. (Attachment #____) Yes No
 - (c) Is this a design/build project? Yes No
 - (3) **COST.** Is the cost information submitted for the planning, design or SSES loan priority list current? If “No”, please explain and submit revised cost information using the appropriate page of the *Request for Inclusion Form*. (Attachment #____) Note that the disbursable amount will be limited to the priority list amount. Yes No

PRECONSTRUCTION LOAN APPLICANTS PROCEED TO PART III.

B. CONSTRUCTION OR I/I REHABILITATION PROJECT

- (1) **ACTIVITIES.**
 - (a) Attach a brief description of construction or I/I rehabilitation activities to be financed by this loan. Include a list of the contracts (by title) corresponding to the plans and specifications accepted by the Department (Attachment #1).
Are these contracts the same as those scheduled on the *Request for Inclusion Form*? Yes No
If “No”, please explain. (Attachment #____)
 - (b) Have any of the contracts been bid? Yes No
If “Yes”, indicate which contracts have been bid. (Attachment #____)
 - (c) Was planning, design, or SSES for this project financed in another SRF loan? Yes No
If “Yes”, give the SRF loan number. WW18013
 - (d) Does this project involve an interlocal agreement with other local governments or other entities? Yes No
If “Yes”, attach a copy of the Department letter accepting the interlocal agreement. (Attachment #____)
Is the interlocal agreement, as accepted by the Department, fully executed and enforceable? Yes No
If “No”, please explain (Attachment #____).

- (2) SCHEDULE. (month and year)
- (a) Anticipated notice to proceed for first construction contract. June 2022
- (b) Anticipated completion of all construction contracts. December 2023
- (3) COST. Is the cost information submitted for the priority list current? Yes No
- If "No", please explain and submit revised cost information using the appropriate page of the *Request for Inclusion Form*. (Attachment #_____) Note that the disbursable amount will be limited to the priority list amount.

PART III - FINANCIAL INFORMATION

Estimates of the capitalized interest, project useful life for financial hardship loans, financing rate, pledged revenue coverage, limitations on annual loan amounts for large projects, applicability and amount of repayment reserves, amount of the loan service fee and any other information may be obtained by contacting staff in the State Revolving Fund Management Section.

- (1) PRINCIPAL. The requested amount of the loan which does not include capitalized interest is \$17,577,267
- Note that the disbursable amount will be limited to the priority list amount and must be consistent with the project information provided under **PART II** of this application. Also note that the capitalized interest is an inexact estimate, and it is subject to adjustment by the Department to reflect actual disbursement timing. The principal amount of the loan does not include the loan service fee.

- (2) TERMS AND REPAYMENT.
- (a) Loans to local government project sponsors are amortized over the lesser of useful life of the project or 20 years unless the project is to serve a small community qualifying as having a financial hardship. Loans to financial hardship communities may be amortized over the lesser of useful life of the project or 30 years. Loans to non-governmental project sponsors are amortized over the lesser of the useful of the project or 20 years. Finance charges and principal are paid semiannually.

What is the useful life of the project?

WWTF	(years)
Structures - 50	
years	
WWTF	
Mechanical	
Equipment 1-	
<u>20 years</u>	

Over how many years would you like to amortize the loan? 20 (years)

- (b) List all revenues that are to be pledged for repayment of this loan. Gross Revenues of the Water and Sewer Systems after payment of the Operation and Maintenance Expense and the satisfaction of all senior or parity obligations.
- (c) Pledged revenue receipts or collections by the project sponsor must exceed the amount of the repayments due to the Department unless there are other collateral provisions. The excess revenue, or coverage, generally is 15% of each repayment.

What coverage is proposed for the loan? 115% (coverage percentage)

- (d) Is any other financial assistance being applied to this project? Yes No
- If "Yes", please list. (Attachment #_____)

- (3) ANNUAL FUNDING LIMIT. Large project funding (generally, loans in excess of \$10 million) may be provided in increments pursuant to the initial loan agreement and subsequent amendments. Each increment shall have a separate financing rate as established in the agreement or amendment providing that increment.

(4) INFORMATION ON LIENS.

- (a) Describe, if applicable, all debt obligations having a prior or parity lien on the revenues pledged to repay this loan. (Attachment #N/A) For example: City Name, Florida, Water and Sewer System Revenue Bonds, Series 1996, issued in

the amount of \$10,000,000, pursuant to Ordinance No. 93-104, as amended and supplemented by Ordinance No. 96-156.

- (b) Using the Part V, *Schedule of Prior and Parity Liens*, provide debt service information, if applicable, on each prior and parity obligation.
 - (c) For the listed obligations, provide a copy of the ordinance(s), resolution(s), official statement(s), or pages thereof, setting forth the definitions, use of proceeds, debt service schedule, pledged revenues, rate covenants, provisions for issuing additional debt, provisions for bond insurance, and debt rating. (*Attachment #2*).
 - (d) Describe any other notes and loans payable from the revenues pledged to repay this loan. (*Attachment #3*).
- (5) ACTUAL AND PROJECTED REVENUES.
- (a) Complete the Part V, *Schedule of Actual Revenues and Debt Coverage* for the past two fiscal years.
 - (b) Complete the Part V, *Schedule of Projected Revenues and Debt Coverage*, demonstrating the availability of pledged revenues for loan repayment.
- (6) AVAILABILITY OF PLEDGED REVENUES. All sources must be supported by a written legal opinion. (*Attachment #4*) The opinion must address the following:
- (a) Availability of the revenues to repay the loan.
 - (b) Right to increase rates at which revenues shall be collected to repay the loan.
 - (c) Subordination of the pledge if pledged revenues are subject to a prior or parity lien.
- (7) LOAN SERVICE FEE. A loan service fee is assessed on each loan. The fee is not part of the loan. The fee along with interest thereon will be deducted from the first available repayments after the final amendment to the loan agreement.

PART IV – AUTHORIZATION AND ASSURANCES

- (1) AUTHORIZATION. Provide an authorizing resolution of the Applicant's governing body or other evidence of authorization (*Attachment #5*) for the following:
 - (a) Pledging revenues to repay the loan.
 - (b) Designation of the Authorized Representative(s) to file this application, provide assurances, execute the loan agreement, and represent the Applicant in carrying out responsibilities (including that of requesting loan disbursements) under the loan agreement.
- (2) ASSURANCES. The Applicant agrees to comply with the laws, rules, regulations, policies and conditions relating to the loan for this project. Applicants should seek further information from the Clean Water State Revolving Fund Program staff as to the applicability of the requirements if the necessity for the assurances is of concern. Specifically, the Applicant certifies that it has complied, as appropriate, and will comply with the following requirements, as appropriate, in undertaking the Project:
 - (a) Assurances for capitalization grant projects.
 1. Complete all facilities for which funding has been provided.
 2. The Archaeological and Historic Preservation Act of 1974, PL 93-291, and the National Historic Preservation Act of 1966, PL 89-665, as amended, regarding identification and protection of historic properties.
 3. The Clean Air Act, 42 U.S.C. 7506(c), which requires conformance with State Air Quality Implementation Plans.
 4. The Coastal Zone Management Act of 1972, PL 92-583, as amended, which requires assurance of project consistency with the approved State management program developed under this Act.
 5. The Endangered Species Act, 16 U.S.C. 1531, et seq., which requires that projects avoid disrupting threatened or endangered species and their habitats.
 6. Executive Order 11593, Protection and Enhancement of the Cultural Environment, regarding preservation, restoration and maintenance of the historic and cultural environment.
 7. Executive Order 11988, Floodplain Management, related to avoiding, to the extent possible, adverse impacts associated with floodplain occupancy, modification and development whenever there is a practicable alternative.

8. Executive Order 11990, Protection of Wetlands, related to avoiding, to the extent possible, adverse impacts associated with the destruction or modification of wetlands and avoiding support of construction in wetlands.
 9. The Fish and Wildlife Coordination Act, PL 85-624, as amended, which requires that actions to control natural streams or other water bodies be undertaken to protect fish and wildlife resources and their habitats.
 10. The Safe Drinking Water Act, Section 1424(e), PL 93-523, as amended, regarding protection of underground sources of drinking water.
 11. The Wild and Scenic Rivers Act, PL 90-542, as amended, related to protecting components or potential components of the national wild and scenic rivers system.
 12. The federal statutes relating to nondiscrimination, including: The Civil rights Act of 1964, PL 88-352, which prohibits discrimination on the basis of race, color or national origin; the Age Discrimination Act, PL 94-135, which prohibits discrimination on the basis of age; Section 13 of the Federal Water Pollution Control Act, PL 92-500, which prohibits sex discrimination; the Rehabilitation Act of 1973, PL 93-112, as amended, which prohibits discrimination on the basis of handicaps.
 13. Executive Order 11246, Equal Employment Opportunity, which provides for equal opportunity for all qualified persons.
 14. Executive Orders 11625 and 12138, Women's and Minority Business Enterprise, which require that small, minority, and women's business and labor surplus areas are used when possible as sources of supplies, equipment, construction and services.
 15. The Coastal Barrier Resources Act, 16 U.S.C. 3501 et seq., regarding protection and conservation of the coastal barrier resources.
 16. The Farmland Protection Policy Act, 7 U.S.C. 4201 et seq., regarding protection of agricultural lands from irreversible loss.
 17. The Uniform Relocation and Real Property Acquisition Policies Act of 1970, PL 91-646, which provides for fair and equitable treatment of persons displaced or whose property is acquired as a result of federal or federally assisted programs.
 18. The Demonstration Cities and Metropolitan Development Act of 1966, PL 89-754, as amended, which requires that projects be carried out in accordance with area wide planning activities.
 19. Section 306 of the Clean Air Act, Section 508 of the Clean Water Act and Executive Order 11738, which prohibit manufacturers, firms, or other enterprises on the EPA's list of Violating Facilities from participating in the Project.
 20. Executive Order 12549, Debarment and Suspension, which prohibits any award to a party which is debarred or suspended or is otherwise excluded from, or ineligible for, participation in federal assistance programs.
 21. Minority and Women's Business Enterprise participation in project work using numerical goals, established by the U.S. Environmental Protection Agency, and to be set forth in the specifications for construction and materials contracts.
- (b) Assurances for other projects.
1. Chapter 161, Part I, F.S., "Beach and Shore Preservation Act" and Part III, "Coastal Zone Protection Act of 1985" which regulate coastal zone construction and all activities likely to affect the condition of the beaches or shore.
 2. Chapter 163, Part II, F.S., the "Local Government Comprehensive Planning and Land Development Regulation Act" which requires units of local government to establish and implement comprehensive planning programs to control future development.
 3. Chapter 186, F.S., State and Regional Planning, which requires conformance of projects with Regional Plans and the State Comprehensive Plan.
 4. Chapter 253, F.S., "Emergency Archaeological Property Acquisition Act of 1988" which requires protection of archaeological properties of major statewide significance discovered during construction activities.
 5. Chapter 258, Part III, F.S., which requires protection of components or potential components of the national wild and scenic rivers system.
 6. Chapter 267, F.S., the "Florida Historical Resources Act" which requires identification, protection, and preservation of historic properties, archaeological and anthropological sites.

7. Chapter 287, Part I, F.S., which prohibits parties convicted of public entity crimes or discrimination from participating in State-assisted projects and which requires consideration of the utilization of Minority Business Enterprises in State-assisted projects.
8. Chapter 372, F.S., the Florida Endangered and Threatened Species Act which prohibits the killing or wounding of an endangered, threatened, or special concern species or intentionally destroying their eggs or nest.
9. Chapter 373, Part IV, F.S., Florida Water Resources Act of 1972, which requires that activities on surface waters or wetlands avoid adversely affecting: public health, safety, welfare, or property; conservation of fish and wildlife, including endangered or threatened species or their habitats; navigation or the flow of water; the fishing or recreational values or marine productivity; and significant historical and archaeological resources.
10. Chapter 380, Part I, F.S., Florida Environmental Land and Water Management Act of 1972 as it pertains to regulation of developments and implementation of land and water management policies.
11. Chapter 381, F.S., Public Health, as it pertains to regulation of onsite wastewater systems.
12. Chapter 403, Part I, F.S., Florida Air and Water Pollution Control which requires protection of all waters of the state.
13. Chapter 582, F.S., Soil and Water Conservation Act which requires conformance with Water Management District's regulations governing the use of land and water resources.
14. Governor's Executive Order 95-359, which requires State Clearinghouse review of project planning documentation and intergovernmental coordination.

I, the undersigned Authorized Representative of the Applicant, hereby certify that all information contained herein and in the attached is true, correct, and complete to the best of my knowledge and belief. I further certify that I have been duly authorized to file the application and to provide these assurances.

Signed this 9th Day of December, 20 21

Authorized Representative (signature) Linda Provencher
(name typed or printed)

Attachments

PART V – SUPPLEMENTARY INFORMATION

**SCHEDULE OF PRIOR AND PARITY LIENS
(EXCLUDING SRF LOANS)**

List annual debt service beginning two years before the anticipated loan agreement date and continuing at least three additional fiscal years. Use additional pages as necessary.

	#1		#2		#3
Identify Each Obligation	N/A _____		N/A _____		N/A _____
Coverage	_____ %		_____ %		_____ %
Insured?	_____ Yes _____ No		_____ Yes _____ No		_____ Yes _____ No

Fiscal Year	<u>Annual Debt Service (Principal Plus Interest)</u>			<u>Total Debt Service</u>	<u>Total Debt Service Incl. Coverage</u>
	<u>#1</u>	<u>#2</u>	<u>#3</u>		
2011	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2012	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2013	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2014	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2015	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2016	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2017	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2018	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2019	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2020	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2021	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2022	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2023	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2024	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2025	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2026	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2027	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2028	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2029	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2030	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2031	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2032	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2033	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2034	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2035	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2036	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2037	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

PART V – SUPPLEMENTARY INFORMATION

SCHEDULE OF ACTUAL REVENUES AND DEBT COVERAGE

(Provide information for the two fiscal years preceding the anticipated date of the SRF loan agreement.)

	<u>FY 2019</u>	<u>FY 2020</u>
(a) Operating Revenues (Source)		
<u>Service Revenue</u>	<u>\$4,294,894</u>	<u>\$4,593,899</u>
(b) Interest Income	<u>236,798</u>	<u>189,767</u>
(c) Other Income or Revenue (Identify)		
<u>Other Income</u>	<u>51,723</u>	<u>57,156</u>
<u>Impact Fees</u>	<u>263,073</u>	<u>182,940</u>
(d) Total Revenues	<u>\$4,846,488</u>	<u>\$5,023,762</u>
(e) Operating Expenses (excluding interest on debt, depreciation, and other non-cash items)	<u>\$2,254,852</u>	<u>\$2,872,505</u>
(f) Net Revenues [(f) = (d) – (e)]	<u>\$2,591,636</u>	<u>\$2,151,257</u>
(g) Debt Service (including any required coverage)	<u>\$600,789</u>	<u>\$547,219</u>
(h) Attach audited annual financial report(s), or pages thereof, or other documentation necessary to support the above information. Include any notes or comments from the audit reports regarding compliance with covenants of debt obligations having a prior or parity lien on the revenues pledged for repayment of the SRF Loan. (<i>Attachment #6</i>)		
(i) Attach worksheets reconciling this page with the appropriate financial statements (for example, backing out depreciation and interest payments from operating expenses). (<i>Attachment #7</i>)		
(j) If the net revenues were not sufficient to satisfy the debt service and coverage requirement, please explain what corrective action was taken. (<i>Attachment #_____</i>)		

PART V – SUPPLEMENTARY INFORMATION

SCHEDULE OF PROJECTED REVENUES AND DEBT COVERAGE

Begin with the fiscal year preceding first anticipated semiannual loan payment and continuing for at least three additional years. Attach a separate page for previous State Revolving Fund loans. (*Attachment #2*)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
(a) Operating Revenue	<u>4,860,000</u>	<u>4,981,500</u>	<u>5,106,038</u>	<u>5,233,688</u>	<u>5,364,531</u>
(b) Interest Income	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
(c) Other Income or Revenue (identify)					
<u>other revenues</u>	<u>114,000</u>	<u>114,000</u>	<u>114,000</u>	<u>114,000</u>	<u>114,000</u>
(d) Total Revenues	<u>4,998,000</u>	<u>5,119,500</u>	<u>5,244,038</u>	<u>5,371,688</u>	<u>5,502,531</u>
(e) Operating Expenses (excluding interest on debt, depreciation, and other non-cash items)	<u>2,962,937</u>	<u>3,069,165</u>	<u>3,179,274</u>	<u>3,293,407</u>	<u>3,411,714</u>
(f) Net Revenues (f = d - e)	<u>2,035,063</u>	<u>2,050,335</u>	<u>2,064,764</u>	<u>2,078,282</u>	<u>2,090,817</u>
(g) Revenue (including coverage) pledged to debt service, excluding SRF loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(h) Revenue (including coverage) pledged to outstanding SRF loans	<u>591,679</u>	<u>591,679</u>	<u>591,679</u>	<u>591,679</u>	<u>591,679</u>
(i) Revenue Available for this SRF Loan [(i) = (f) – (g) – (h)]	<u>1,443,384</u>	<u>1,458,656</u>	<u>1,473,085</u>	<u>1,486,602</u>	<u>1,499,137</u>

(j) Identify the source of the above information and explain methods used to develop the projections (*Attachment #8*). Include an explanation of any revenue and expense growth or other adjustments; for example, any rate increases, service growth, inflation adjustments, expense adjustments reflecting the cost of operating additional facilities, or other considerations.

(k) For construction loans, are the above projections consistent with the accepted financial feasibility information? Yes No

If "No", please explain. (*Attachment #*_____)

City of Flagler Beach WWTF Improvements Project

Attachment #1

The City of Flagler Beach Wastewater Treatment Facility (WWTF) has a permitted treatment capacity of 1.0 MGD annual average daily flow (AADF). The WWTF disposes of effluent via surface discharge (D-001) into the Intercoastal Waterway (Class III marine waters – WBID 2363J).

The primary purpose for the project is upgrading the Facility to Advanced Wastewater Treatment (AWT) effluent standards and replacing aging infrastructure that has reached the end of its useful life.

AWT is characterized by the following effluent concentrations:

- 5 mg/L of Biochemical Oxygen Demand (BOD₅)
- 5 mg/L of Total Suspended Solids (TSS)
- 3 mg/L of Total Nitrogen (TN)
- 1 mg/L of Total Phosphorus (TP)

The proposed AWT upgrades to the WWTF will enable the City to reduce the nutrient loading to the permitted surface discharge, thereby improving the water body quality. The improved nutrient treatment capability will also ensure that the City maintains compliance with the TN and TP mass loading rates specified in the existing FDEP Domestic Wastewater Facility Permit.

The Flagler Beach WWTF was originally constructed in the year 1975 with various upgrades done in 1982. The existing infrastructure therefore ranges from about 40 – 47 years old. Accordingly, much of the equipment is out-of-date, unreliable, and not functioning as required. There are also significant structural issues with the existing concrete structures and corrosion issues with the existing pipelines. The proposed improvements will upgrade the Facility to Class I Reliability standards. By implementing redundancy of the unit operations and processes, the reliability of the Facility will be dramatically improved.

Attachment 2a
SCHEDULE OF PRIOR AND PARITY LIENS

List annual debt service beginning two years before the anticipated loan agreement date and continuing at least fifteen fiscal years. Use additional pages as necessary

IDENTIFY EACH OBLIGATION

#1 SRF DW1801010 Coverage % 115 Insured (Yes/No) No	#2 SRF WW180130 Coverage % 115 Insured (Yes/No) No	#3 Coverage % Insured (Yes/No)						
#4 Coverage % Insured (Yes/No)	#5 Coverage % Insured (Yes/No)	#6 Coverage % Insured (Yes/No)						
Fiscal Year	Annual Debt Service (Principal + Interest)						Total Non-SRF Debt Service w/coverage	Total SRF Debt Service w/coverage
	#1	#2	#3	#4	#5	#6		
2021	465,750	24,377	-	-	-	-	-	563,646
2022	465,750	48,754	-	-	-	-	-	591,679
2023	465,750	48,754	-	-	-	-	-	591,679
2024	465,750	48,754	-	-	-	-	-	591,679
2025	465,750	48,754	-	-	-	-	-	591,679
2026	465,750	48,754	-	-	-	-	-	591,679
2027	459,687	48,754	-	-	-	-	-	584,707
2028	-	48,754	-	-	-	-	-	56,067
2029	-	48,754	-	-	-	-	-	56,067
2030	-	48,754	-	-	-	-	-	56,067
2031	-	48,754	-	-	-	-	-	56,067
2032	-	48,754	-	-	-	-	-	56,067
2033	-	48,754	-	-	-	-	-	56,067
2034	-	48,754	-	-	-	-	-	56,067
2035	-	48,754	-	-	-	-	-	56,067
2036	-	48,754	-	-	-	-	-	56,067
2037	-	48,754	-	-	-	-	-	56,067
2038	-	48,754	-	-	-	-	-	56,067
2039	-	48,754	-	-	-	-	-	56,067
2040	-	48,754	-	-	-	-	-	56,067
2041	-	24,377	-	-	-	-	-	28,034
2042	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-

**Proposed SRF Debt Disclosure
SCHEDULE OF PRIOR, PARITY, AND PROJECTED LIENS**

List annual debt service beginning two years before the anticipated loan agreement date and continuing at least fifteen fiscal

Identify Each Obligation [1]		Coverage	Insured?
#1	Proposed Clean Water SRF Loan (2022)	115%	N/A
#2			
#3			
#4	N/A		
#5	N/A		

Annual Debt Service (Principal Plus Interest)

Fiscal Year	#1	#2	#3	#4	#5	Total Debt Service	Total Debt Service Incl. Coverage
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2025	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2026	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2027	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2028	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2029	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2030	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2031	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2032	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2033	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2034	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2035	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2036	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2037	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2038	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2039	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2040	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2041	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2042	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2043	\$681,838	\$0	\$0	\$0	\$0	\$681,838	\$784,114
2044	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

AND

CITY OF FLAGLER BEACH, FLORIDA

**CLEAN WATER STATE REVOLVING FUND
DESIGN LOAN AGREEMENT
WW180130**

**Florida Department of Environmental Protection
State Revolving Fund Program
Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard, MS 3505
Tallahassee, Florida 32399-3000**

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**CLEAN WATER STATE REVOLVING FUND
DESIGN LOAN AGREEMENT
WW180130**

THIS AGREEMENT is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and the CITY OF FLAGLER BEACH, FLORIDA, (Local Government) existing as a local governmental entity under the laws of the State of Florida. Collectively, the Department and the Local Government shall be referred to as "Parties" or individually as "Party".

RECITALS

Pursuant to Section 403.1835, Florida Statutes, the Department is authorized to make loans to finance the planning, designing and construction of wastewater pollution control facilities; and

The Local Government applied for the financing of Design Activities and the Department has determined that all requirements for a loan have been met.

AGREEMENT

In consideration of the Department loaning money to the Local Government, in the principal amount and pursuant to the covenants set forth below, it is agreed as follows:

ARTICLE I - DEFINITIONS

1.01. WORDS AND TERMS.

Words and terms used herein shall have the meanings set forth below:

- (1) "Agreement" or "Loan Agreement" shall mean this agreement.
- (2) "Authorized Representative" shall mean the official of the Local Government authorized by ordinance or resolution to sign documents associated with the Loan.
- (3) "Capitalized Interest" shall mean the finance charge that accrues at the Financing Rate on Loan proceeds from the time of disbursement until six months before the first Semiannual Loan Payment is due. Capitalized Interest is financed as part of the Loan principal.
- (4) "Depository" shall mean a bank or trust company, having a combined capital and unimpaired surplus of not less than \$50 million, authorized to transact commercial banking or savings and loan business in the State of Florida and insured by the Federal Deposit Insurance Corporation.
- (5) "Design Activities" shall mean the design of work defined in the approved planning document that will result in plans and specifications, ready for permitting and bidding, for an eligible construction project.

(6) "Final Amendment" shall mean the final agreement executed between the parties that establishes the final terms for the Loan such as the final Loan amount, the interest rate, Loan Service Fee, amortization schedule and Semiannual Loan Payment amount.

(7) "Final Unilateral Amendment" shall mean the Loan Agreement unilaterally finalized by the Department after Loan Agreement and Project abandonment under Section 8.06 that establishes the final amortization schedule for the Loan.

(8) "Financing Rate" shall mean the charges, expressed as a percent per annum, imposed on the unpaid principal of the Loan. The Financing Rate shall consist of an interest rate component and a Grant Allocation Assessment rate component.

(9) "Grant Allocation Assessment" shall mean an assessment, expressed as a percent per annum, accruing on the unpaid balance of the Loan. It is computed similarly to the way interest charged on the Loan is computed and is included in the Semiannual Loan Payment. The Department will use Grant Allocation Assessment moneys for making grants to financially disadvantaged small communities pursuant to Section 403.1835 of the Florida Statutes.

(10) "Gross Revenues" shall mean all income or earnings received by the Local Government from the ownership or operation of its Water and Sewer Systems, including investment income, all as calculated in accordance with generally accepted accounting principles. Gross Revenues shall not include proceeds from the sale or other disposition of any part of the Water or Sewer System, condemnation awards or proceeds of insurance, except use and occupancy or business interruption insurance, received with respect to the Water or Sewer System.

(11) "Loan" shall mean the amount of money to be loaned pursuant to this Agreement and subsequent amendments.

(12) "Loan Application" shall mean the completed form which provides all information required to support obtaining loan financial assistance from the Department.

(13) "Loan Debt Service Account" shall mean an account, or a separately identified component of a pooled cash or liquid account, with a Depository established by the Local Government for the purpose of accumulating Monthly Loan Deposits and making Semiannual Loan Payments.

(14) "Loan Service Fee" shall mean an origination fee which shall be paid to the Department by the Local Government.

(15) "Local Governmental Entity" means a county, municipality, or special district.

(16) "Monthly Loan Deposit" shall mean the monthly deposit to be made by the Local Government to the Loan Debt Service Account.

(17) "Operation and Maintenance Expense" shall mean the costs of operating and maintaining the Water and Sewer Systems determined pursuant to generally accepted accounting

principles, exclusive of interest on any debt payable from Gross Revenues, depreciation, and any other items not requiring the expenditure of cash.

(18) "Pledged Revenues" shall mean the specific revenues pledged as security for repayment of the Loan and shall be the Gross Revenues derived yearly from the operation of the Water and Sewer Systems after payment of the Operation and Maintenance Expense and the satisfaction of all yearly payment obligations on account of any senior or parity obligations issued pursuant to Section 7.02 of this Agreement.

(19) "Project" shall mean the Design Activities for treatment expansion and upgrade.

(20) "Semiannual Loan Payment" shall mean the payment due from the Local Government to the Department at six-month intervals.

(21) "Sewer System" shall mean all facilities owned by the Local Government for collection, transmission, treatment and reuse of wastewater and its residuals.

(22) "Water System" shall mean all facilities owned by the Local Government for supplying and distributing water for residential, commercial, industrial, and governmental use.

1.02. CORRELATIVE WORDS.

Words of the masculine gender shall be understood to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the singular shall include the plural and the word "person" shall include corporations and associations, including public entities, as well as natural persons.

ARTICLE II - WARRANTIES, REPRESENTATIONS AND COVENANTS

2.01. WARRANTIES, REPRESENTATIONS AND COVENANTS.

The Local Government warrants, represents and covenants that:

(1) The Local Government has full power and authority to enter into this Agreement and to comply with the provisions hereof.

(2) The Local Government currently is not the subject of bankruptcy, insolvency, or reorganization proceedings and is not in default of, or otherwise subject to, any agreement or any law, administrative regulation, judgment, decree, note, resolution, charter or ordinance which would currently restrain or enjoin it from entering into, or complying with, this Agreement.

(3) There is no material action, suit, proceeding, inquiry or investigation, at law or in equity, before any court or public body, pending or, to the best of the Local Government's knowledge, threatened, which seeks to restrain or enjoin the Local Government from entering into or complying with this Agreement.

(4) The Local Government shall undertake the Project on its own responsibility, to the extent permitted by law.

(5) To the extent permitted by law, the Local Government shall release and hold harmless the State, its officers, members, and employees from any claim arising in connection with the Local Government's actions or omissions in its Design Activities financed by this Loan.

(6) All Local Government representations to the Department, pursuant to the Loan Application and Agreement, were true and accurate as of the date such representations were made. The financial information delivered by the Local Government to the Department was current and correct as of the date such information was delivered. The Local Government shall comply with Chapter 62-503, Florida Administrative Code, and all applicable State and Federal laws, rules, and regulations which are identified in the Loan Application or Agreement. To the extent that any assurance, representation, or covenant requires a future action, the Local Government shall take such action to comply with this agreement.

(7) The Local Government shall maintain records using generally accepted accounting principles established by the Governmental Accounting Standards Board. As part of its bookkeeping system, the Local Government shall keep accounts of the Water and Sewer Systems separate from all other accounts and it shall keep accurate records of all revenues, expenses, and expenditures relating to the Water and Sewer Systems, and of the Pledged Revenues, Loan disbursement receipts, and Loan Debt Service Account.

(8) In the event the anticipated Pledged Revenues are shown by the Local Government's annual budget to be insufficient to make the Semiannual Loan Payments for such Fiscal Year when due, the Local Government shall include in such budget other legally available non-ad valorem funds which will be sufficient, together with the Pledged Revenues, to make the Semiannual Loan Payments. Such other legally available non-ad valorem funds shall be budgeted in the regular annual governmental budget and designated for the purpose provided by this Subsection, and the Local Government shall collect such funds for application as provided herein. The Local Government shall notify the Department immediately in writing of any such budgeting of other legally available non-ad valorem funds. Nothing in this covenant shall be construed as creating a pledge, lien, or charge upon any such other legally available non-ad valorem funds; requiring the Local Government to levy or appropriate ad valorem tax revenues; or preventing the Local Government from pledging to the payment of any bonds or other obligations all or any part of such other legally available non-ad valorem funds.

(9) Pursuant to Section 216.347 of the Florida Statutes, the Local Government shall not use the Loan proceeds for the purpose of lobbying the Florida Legislature, the Judicial Branch, or a State agency.

(10) The Local Government agrees to complete the Design Activities in accordance with the schedule set forth in Section 10.07. Delays incident to strikes, riots, acts of God, and other events beyond the reasonable control of the Local Government are excepted. However, there shall be no resulting diminution or delay in the Semiannual Loan Payment or the Monthly Loan Deposit.

(11) The Local Government covenants that this Agreement is entered into for the purpose of completing Design Activities in order to construct facilities which will, in all events, serve a public purpose.

2.02. LEGAL AUTHORIZATION.

Upon signing this Agreement, the Local Government's legal counsel hereby expresses the opinion, subject to laws affecting the rights of creditors generally, that:

(1) This Agreement has been duly authorized by the Local Government and shall constitute a valid and legal obligation of the Local Government enforceable in accordance with its terms upon execution by both parties; and

(2) This Agreement identifies the revenues pledged for repayment of the Loan, and the pledge is valid and enforceable.

2.03. AUDIT AND MONITORING REQUIREMENTS.

The Local Government agrees to the following audit and monitoring requirements.

(1) The financial assistance authorized pursuant to this Loan Agreement consists of the following:

State Resources Awarded to the Local Government Pursuant to this Agreement Consist of the Following Resources Subject to Section 215.97, F.S.:					
State Program Number	Funding Source	CSFA Number	CSFA Title or Fund Source Description	Funding Amount	State Appropriation Category
Original Agreement	Wastewater Treatment and Stormwater Management TF	37.077	Wastewater Treatment Facility Construction	\$900,000	140131

(2) Audits.

(a) In the event that the Local Government expends a total amount of state financial assistance equal to or in excess of \$750,000 in any fiscal year of such Local Government, the Local Government must have a State single audit for such fiscal year in accordance with Section 215.97, Florida Statutes; applicable rules of the Department of Financial Services; and Chapters 10.550 (local governmental entities) or 10.650 (nonprofit and for-profit organizations), Rules of the Auditor General. In determining the state financial assistance expended in its fiscal year, the Local Government shall consider all sources of state financial assistance, including state financial assistance received from the Department, other state agencies, and other nonstate entities. State financial assistance does not include Federal direct or pass-through awards and resources received by a nonstate entity for Federal program matching requirements.

(b) In connection with the audit requirements addressed in the preceding paragraph (a); the Local Government shall ensure that the audit complies with the requirements of Section 215.97(7), Florida Statutes. This includes submission of a financial reporting package as defined by Section 215.97(2), Florida Statutes, and Chapters 10.550 (local governmental entities) or 10.650 (nonprofit and for-profit organizations), Rules of the Auditor General.

(c) If the Local Government expends less than \$750,000 in state financial assistance in its fiscal year, an audit conducted in accordance with the provisions of Section 215.97, Florida Statutes, is not required. The Local Government shall inform the Department of findings and recommendations pertaining to the State Revolving Fund in audits conducted by the Local Government in which the \$750,000 threshold has not been met. In the event that the Local Government expends less than \$750,000 in state financial assistance in its fiscal year, and elects to have an audit conducted in accordance with the provisions of Section 215.97, Florida Statutes, the cost of the audit must be paid from the non-state entity's resources (i.e., the cost of such an audit must be paid from the Local Government's resources obtained from other than State entities).

(d) The Local Government is hereby advised that the Florida Single Audit Act Requirements may further apply to lower tier transactions that may be a result of this Agreement. For information regarding the Florida Catalog of State Financial Assistance (CSFA), a Local Government should access the Florida Single Audit Act website located at <https://apps.fldfs.com/fsaa> for assistance.

(3) Report Submission.

(a) Copies of financial reporting packages shall be submitted by or on behalf of the Local Government directly to each of the following:

(i) The Department at one of the following addresses:

By Mail:

Audit Director

Florida Department of Environmental Protection
Office of the Inspector General
3900 Commonwealth Boulevard, MS 40
Tallahassee, Florida 32399-3123

or

Electronically:

FDEPSingleAudit@dep.state.fl.us

(ii) The Auditor General's Office at the following address:

State of Florida Auditor General
Room 401, Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

(iii) Copies of reports or management letters shall be submitted by or on behalf of the Local Government directly to the Department at either of the following address:

By Mail:

Audit Director

Florida Department of Environmental Protection
Office of the Inspector General
3900 Commonwealth Boulevard, MS 40
Tallahassee, Florida 32399-3123

or

Electronically:

FDEPSingleAudit@dep.state.fl.us

(b) Any reports, management letters, or other information required to be submitted to the Department pursuant to this Agreement shall be submitted timely in accordance with Florida Statutes, or Chapters 10.550 (local governmental entities) or 10.650 (nonprofit and for-profit organizations), Rules of the Auditor General, as applicable.

(c) Local Governments, when submitting financial reporting packages to the Department for audits done in accordance with Chapters 10.550 (local governmental entities) or 10.650 (nonprofit and for-profit organizations), Rules of the Auditor General, should indicate the date that the reporting package was delivered to the Local Government in correspondence accompanying the reporting package.

(4) Record Retention.

The Local Government shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period of five years from the date of the Final Amendment, and shall allow the Department, or its designee, Chief Financial Officer, or Auditor General access to such records upon request. The Local Government shall ensure that working papers are made available to the Department, or its designee, Chief Financial Officer, or Auditor General upon request for a period of five years from the date of the Final Amendment, unless extended in writing by the Department.

(5) Monitoring.

In addition to reviews of audits conducted in accordance with Section 215.97, F.S., as revised monitoring procedures may include, but not be limited to, on-site visits by Department staff and/or other procedures. By entering into this Agreement, the Local Government agrees to comply and cooperate with any monitoring procedures/processes deemed appropriate by the Department. In the event the Department determines that a limited scope audit of the Local Government is appropriate, the Local Government agrees to comply with any additional instructions provided by the Department to the Local Government regarding such audit. The Local Government understands its duty, pursuant to Section 20.055(5), F.S., to cooperate with the Inspector General in any investigation, audit, inspection, review, or hearing. The Local Government will comply with this duty and ensure that any subcontracts issued under this Agreement will impose this requirement, in writing, on its subcontractors.

ARTICLE III - LOAN REPAYMENT ACCOUNT

3.01. LOAN DEBT SERVICE ACCOUNT.

The Local Government shall establish a Loan Debt Service Account with a Depository and begin making Monthly Loan Deposits no later than the date set forth in Section 10.07 of this Agreement.

Beginning six months prior to each Semiannual Loan Payment, the Local Government shall make six Monthly Loan Deposits. The first five deposits each shall be at least equal to one-sixth of the Semiannual Loan Payment. The sixth Monthly Loan Deposit shall be at least equal to the amount required to make the total on deposit in the Loan Debt Service Account equal to the Semiannual Loan Payment amount, taking into consideration investment earnings credited to the account pursuant to Section 3.02.

Any month in which the Local Government fails to make a required Monthly Loan Deposit, the Local Government's chief financial officer shall notify the Department of such failure. In addition, the Local Government agrees to budget, by amendment if necessary, payment to the Department from other legally available non-ad valorem funds all sums becoming due before the same become delinquent. This requirement shall not be construed to give superiority to the Department's claim on any revenues over prior claims of general creditors of the Local Government, nor shall it be construed to give the Department the power to require the Local Government to levy and collect any revenues other than Pledged Revenues.

3.02. INVESTMENT OF LOAN DEBT SERVICE ACCOUNT MONEYS.

Moneys on deposit in the Loan Debt Service Account shall be invested pursuant to the laws of the State of Florida. Such moneys may be pooled for investment purposes. The maturity or redemption date of investments shall be not later than the date upon which such moneys may be needed to make Semiannual Loan Payments. The investment earnings shall be credited to the Loan Debt Service Account and applied toward the Monthly Loan Deposit requirements.

3.03. LOAN DEBT SERVICE ACCOUNT WITHDRAWALS.

The withdrawal of moneys from the Loan Debt Service Account shall be for the sole purpose of making the Semiannual Loan Payment or for discharging the Local Government's obligations pursuant to Section 8.01.

3.04. ASSETS HELD IN TRUST.

The assets in all accounts created under this Loan Agreement shall be held in trust for the purposes provided herein and used only for the purposes and in the manner prescribed in this Agreement; and, pending such use, said assets shall be subject to a lien and charge in favor of the Department.

ARTICLE IV - PROJECT INFORMATION

4.01. PROJECT CHANGES.

After the Department's environmental review has been completed, the Local Government shall promptly notify the Department, in writing, of any Project change that would require a modification to the environmental information document.

4.02. CLOSE-OUT.

The Department shall conduct a final inspection of the Design Activities records. Following the inspection, deadlines for submitting additional disbursement requests, if any, shall be established, along with deadlines for uncompleted Loan requirements, if any. Deadlines shall be incorporated into the Loan Agreement by amendment. After the Department establishes the final costs to be financed by the Loan, the itemized costs will be adjusted by amendment. The Loan principal shall be reduced by any excess over the amount required to pay all approved costs. As a result of such adjustment, the Semiannual Loan Payment shall be reduced accordingly, as addressed in Section 10.05.

4.03. DISBURSEMENTS.

Disbursements shall be made only by the State Chief Financial Officer and only when the requests for such disbursements are accompanied by a Department certification that such withdrawals are proper expenditures. Disbursements shall be made directly to the Local Government for reimbursement of the incurred design costs and related services. Disbursements for materials, labor, or services shall be made upon receipt of the following:

- (1) A completed disbursement request form signed by the Authorized Representative. Such requests must be accompanied by sufficiently itemized summaries of the materials, labor, or services to identify the nature of the work performed; the cost or charges for such work; and the person providing the service or performing the work; and proof of payment.
- (2) A certification signed by the Authorized Representative as to the current estimated costs of the Project; that the materials, labor, or services represented by the invoice have been satisfactorily purchased, performed, or received.
- (3) Such other certificates or documents by engineers, attorneys, accountants, contractors, or suppliers as may reasonably be required by the Department.

Requests by the Local Government for disbursements of the design funds shall be made using the Department's disbursement request form. The Department reserves the right to retain 25% of the funds until the information necessary for the Department to prepare the Environmental Information Document as described in Rule 62-503.751, Florida Administrative Code, has been provided.

ARTICLE V - RATES AND USE OF THE WATER AND SEWER SYSTEMS

5.01. RATE COVERAGE.

The Local Government shall maintain rates and charges for the services furnished by the Water and Sewer Systems which will be sufficient to provide, in each Fiscal Year, Pledged Revenues equal to or exceeding 1.15 times the sum of the Semiannual Loan Payments due in such Fiscal Year.

5.02. NO FREE SERVICE.

The Local Government shall not permit connections to, or furnish any services afforded by, the Water or Sewer System without making a charge based on the Local Government's uniform schedule of rates, fees, and charges.

5.03. MANDATORY CONNECTIONS.

The Local Government shall adopt, as necessary, and enforce requirements, consistent with applicable laws, for the owner, tenant or occupant of each building located on a lot or parcel of land which is served, or may reasonably be served, by the Sewer System to connect such building to the Sewer System.

5.04. NO COMPETING SERVICE.

The Local Government shall not allow any person to provide any services which would compete with the Water or Sewer System so as to adversely affect Gross Revenues.

5.05. MAINTENANCE OF THE WATER AND SEWER SYSTEMS.

The Local Government shall operate and maintain the Water and Sewer Systems in a proper, sound and economical manner and shall make all necessary repairs, renewals and replacements.

5.06. ADDITIONS AND MODIFICATIONS.

The Local Government may make any additions, modifications or improvements to the Water and Sewer Systems which it deems desirable and which do not materially reduce the operational integrity of any part of the Water or Sewer System. All such renewals, replacements, additions, modifications and improvements shall become part of the Water and Sewer Systems.

5.07. COLLECTION OF REVENUES.

The Local Government shall use its best efforts to collect all rates, fees and other charges due to it. The Local Government shall establish liens on premises served by the Water or Sewer System for the amount of all delinquent rates, fees and other charges where such action is permitted by law. The Local Government shall, to the full extent permitted by law, cause to discontinue the services of the Water and Sewer Systems and use its best efforts to shut off water

service furnished to persons who are delinquent beyond customary grace periods in the payment of Water and Sewer Systems rates, fees and other charges.

ARTICLE VI - DEFAULTS AND REMEDIES

6.01. EVENTS OF DEFAULT.

Upon the occurrence of any of the following events (the Events of Default) all obligations on the part of Department to make any further disbursements hereunder shall, if Department elects, terminate. The Department may, at its option, exercise any of its remedies set forth in this Agreement, but Department may make any disbursements or parts of disbursements after the happening of any Event of Default without thereby waiving the right to exercise such remedies and without becoming liable to make any further disbursement:

(1) Failure to make any Monthly Loan Deposit or to make any installment of the Semiannual Loan Payment when it is due and such failure shall continue for a period of 15 days.

(2) Except as provided in Subsection 6.01(1), failure to comply with the provisions of this Agreement, failure in the performance or observance of any of the covenants or actions required by this Agreement or the Suspension of this Agreement by the Department pursuant to Section 8.11 below, and such failure shall continue for a period of 30 days after written notice thereof to the Local Government by the Department.

(3) Any warranty, representation or other statement by, or on behalf of, the Local Government contained in this Agreement or in any information furnished in compliance with, or in reference to, this Agreement, which is false or misleading, or if Local Government shall fail to keep, observe or perform any of the terms, covenants, representations or warranties contained in this Agreement, the Note, or any other document given in connection with the Loan (provided, that with respect to non-monetary defaults, Department shall give written notice to Local Government, which shall have 30 days to cure any such default), or is unable or unwilling to meet its obligations thereunder.

(4) An order or decree entered, with the acquiescence of the Local Government, appointing a receiver of any part of the Water or Sewer System or Gross Revenues thereof; or if such order or decree, having been entered without the consent or acquiescence of the Local Government, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof.

(5) Any proceeding instituted, with the acquiescence of the Local Government, for the purpose of effecting a composition between the Local Government and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from Gross Revenues of the Water or Sewer System.

(6) Any bankruptcy, insolvency or other similar proceeding instituted by, or against, the Local Government under federal or state bankruptcy or insolvency law now or hereafter in effect and, if instituted against the Local Government, is not dismissed within 60 days after filing.

(7) Any charge is brought alleging violations of any criminal law in the implementation of the Project or the administration of the proceeds from this Loan against one or more officials of the Local Government by a State or Federal law enforcement authority, which charges are not withdrawn or dismissed within 60 days following the filing thereof.

(8) Failure of the Local Government to give immediate written notice of its knowledge of a potential default or an event of default, hereunder, to the Department and such failure shall continue for a period of 30 days.

6.02. REMEDIES.

All rights, remedies, and powers conferred in this Agreement and the transaction documents are cumulative and are not exclusive of any other rights or remedies, and they shall be in addition to every other right, power, and remedy that Department may have, whether specifically granted in this Agreement or any other transaction document, or existing at law, in equity, or by statute. Any and all such rights and remedies may be exercised from time to time and as often and in such order as Department may deem expedient. Upon any of the Events of Default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights by, *inter alia*, any of the following remedies:

(1) By mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of the Water and Sewer Systems, and to require the Local Government to fulfill this Agreement.

(2) By action or suit in equity, require the Local Government to account for all moneys received from the Department or from the ownership of the Water and Sewer Systems and to account for the receipt, use, application, or disposition of the Pledged Revenues.

(3) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Department.

(4) By applying to a court of competent jurisdiction, cause to appoint a receiver to manage the Water and Sewer Systems, establish and collect fees and charges, and apply the revenues to the reduction of the obligations under this Agreement.

(5) By certifying to the Auditor General and the Chief Financial Officer delinquency on loan repayments, the Department may intercept the delinquent amount plus a penalty from any unobligated funds due to the Local Government under any revenue or tax sharing fund established by the State, except as otherwise provided by the State Constitution. The Department may impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.

(6) By notifying financial market credit rating agencies and potential creditors.

(7) By suing for payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.

(8) By accelerating the repayment schedule or increasing the Financing Rate on the unpaid principal of the Loan to as much as 1.667 times the Financing Rate.

6.03. DELAY AND WAIVER.

No course of dealing between Department and Local Government, or any failure or delay on the part of Department in exercising any rights or remedies hereunder, shall operate as a waiver of any rights or remedies of Department, and no single or partial exercise of any rights or remedies hereunder shall operate as a waiver or preclude the exercise of any other rights or remedies hereunder. No delay or omission by the Department to exercise any right or power accruing upon Events of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient. No waiver or any default under this Agreement shall extend to or affect any subsequent Events of Default, whether of the same or different provision of this Agreement, or shall impair consequent rights or remedies.

ARTICLE VII - THE PLEDGED REVENUES

7.01. SUPERIORITY OF THE PLEDGE TO THE DEPARTMENT.

From and after the effective date of this Agreement, the Department shall have a lien on the Pledged Revenues, which along with any other Department State Revolving Fund liens on the Pledged Revenues, of equal priority, will be prior and superior to any other lien, pledge or assignment with the following exception. All obligations of the Local Government under this Agreement shall be junior, inferior, and subordinate in all respects in right of payment and security to any additional senior obligations issued with the Department's consent pursuant to Section 7.02. The Department may release its lien on such Pledged Revenues in favor of the Department if the Department makes a determination in its sole discretion, based upon facts deemed sufficient by the Department, that the remaining Pledged Revenues will, in each Fiscal Year, equal or exceed 1.15 times the debt service coming due in each Fiscal Year under the terms of this Agreement.

7.02. ADDITIONAL DEBT OBLIGATIONS.

The Local Government may issue additional debt obligations on a parity with, or senior to, the lien of the Department on the Pledged Revenues provided the Department's written consent is obtained. Such consent may be granted if the Local Government demonstrates at the time of such issuance that the Pledged Revenues, which may take into account reasonable projections of growth of the Water and Sewer Systems and revenue increases, plus revenues to be pledged to the additional proposed debt obligations will, during the period of time Semiannual Loan Payments are to be made under this Agreement, equal or exceed 1.15 times the annual combined debt service requirements of this Agreement and the obligations proposed to be issued by the Local Government and will satisfy the coverage requirements of all other debt obligations secured by the Pledged Revenues.

ARTICLE VIII - GENERAL PROVISIONS

8.01. DISCHARGE OF OBLIGATIONS.

All payments required to be made under this Agreement shall be cumulative and any deficiencies in any Fiscal Year shall be added to the payments due in the succeeding year and all years thereafter until fully paid. Payments shall continue to be secured by this Agreement until all of the payments required shall be fully paid to the Department. If, at any time, the Local Government shall have paid, or shall have made provision for the timely payment of, the entire principal amount of the Loan, and as applicable, Loan Service Fee, interest, and Grant Allocation Assessment charges, the pledge of, and lien on, the Pledged Revenues to the Department shall be no longer in effect. Deposit of sufficient cash, securities, or investments, authorized by law, from time to time, may be made to effect defeasance of this Loan. However, the deposit shall be made in irrevocable trust with a banking institution or trust company for the sole benefit of the Department. There shall be no penalty imposed by the Department for early retirement of this Loan.

8.02. PROJECT RECORDS AND STATEMENTS.

Books, records, reports, engineering documents, contract documents, and papers shall be available to the authorized representatives of the Department for inspection at any reasonable time after the Local Government has received a disbursement and until five years after the Final Amendment date.

8.03. ACCESS TO PROJECT SITE.

The Local Government shall provide access to offices and other sites where Design Activities or Project work (if financed by this Loan) is ongoing, or has been performed, to authorized representatives of the Department at any reasonable time. The Local Government shall cause its engineers and contractors to provide copies of relevant records and statements for inspection.

8.04. ASSIGNMENT OF RIGHTS UNDER AGREEMENT.

The Department may assign any part of its rights under this Agreement after notification to the Local Government. The Local Government shall not assign rights created by this Agreement without the written consent of the Department.

8.05. AMENDMENT OF AGREEMENT.

This Agreement may be amended, except that no amendment shall be permitted which is inconsistent with statutes, rules, regulations, executive orders, or written agreements between the Department and the U.S. Environmental Protection Agency (EPA). A Final Amendment establishing the final costs financed by this Loan and the actual Loan Service Fee shall be completed after the Department's final inspection of relevant documents and records.

8.06. ABANDONMENT, TERMINATION OR VOLUNTARY CANCELLATION.

Failure of the Local Government to actively prosecute or avail itself of this Loan (including e.g. described in para 1 and 2 below) shall constitute its abrogation and abandonment of the rights hereunder, and the Department may then, upon written notification to the Local Government, suspend or terminate this Agreement.

(1) Failure of the Local Government to draw Loan proceeds within eighteen months after the effective date of this Agreement, or by the date set in Section 10.07 to establish the Loan Debt Service Account, whichever date occurs first.

(2) Failure of the Local Government, after the initial Loan draw, to draw any funds under the Loan Agreement for twenty-four months, without approved justification or demonstrable progress on the Project.

Upon a determination of abandonment by the Department, the Loan will be suspended, and the Department will implement administrative close out procedures (in lieu of those in Section 4.02) and provide written notification of Final Unilateral Amendment to the Local Government.

In the event that following the execution of this Agreement, the Local Government decides not to proceed with this Loan, this Agreement can be cancelled by the Local Government, without penalty, if no funds have been disbursed.

8.07. SEVERABILITY CLAUSE.

If any provision of this Agreement shall be held invalid or unenforceable, the remaining provisions shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

8.08. USE AS MATCHING FUNDS.

The EPA has provided a class deviation from the provisions of 40 CFR 35.3125(b)(1) to allow these second-tier funds to be used as local matching requirements for most EPA grant funded treatment works projects, including special Appropriations Act projects.

8.09. PUBLIC RECORDS ACCESS.

(1) The Local Government shall comply with Florida Public Records law under Chapter 119, F.S. Records made or received in conjunction with this Agreement are public records under Florida law, as defined in Section 119.011(12), F.S. The Local Government shall keep and maintain public records required by the Department to perform the services under this Agreement.

(2) This Agreement may be unilaterally canceled by the Department for refusal by the Local Government to either provide to the Department upon request, or to allow inspection and copying of all public records made or received by the Local Government in conjunction with this Agreement and subject to disclosure under Chapter 119, F.S., and Section 24(a), Article I, Florida Constitution.

(3) IF THE LOCAL GOVERNMENT HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE LOCAL GOVERNMENT'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS AGREEMENT, CONTACT THE DEPARTMENT'S CUSTODIAN OF PUBLIC RECORDS AT (850)245-2118, by email at public.services@dep.state.fl.us, or at the mailing address below:

**Department of Environmental Protection
ATTN: Office of Ombudsman and Public Services
Public Records Request
3900 Commonwealth Blvd, MS 49
Tallahassee, FL 32399**

8.10. SCRUTINIZED COMPANIES.

(1) The Local Government certifies that it and its subcontractors are not on the Scrutinized Companies that Boycott Israel List. Pursuant to Section 287.135, F.S., the Department may immediately terminate this Agreement at its sole option if the Local Government or its subcontractors are found to have submitted a false certification; or if the Local Government, or its subcontractors are placed on the Scrutinized Companies that Boycott Israel List or is engaged in the boycott of Israel during the term of the Agreement.

(2) If this Agreement is for more than one million dollars, the Local Government certifies that it and its subcontractors are also not on the Scrutinized Companies with Activities in Sudan, Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List, or engaged with business operations in Cuba or Syria as identified in Section 287.135, F.S. Pursuant to Section 287.135, F.S., the Department may immediately terminate this Agreement at its sole option if the Local Government, its affiliates, or its subcontractors are found to have submitted a false certification; or if the Local Government, its affiliates, or its subcontractors are placed on the Scrutinized Companies that Boycott the Scrutinized Companies with Activities in Sudan List, or Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List, or engaged with business operations in Cuba or Syria during the term of the Agreement.

(3) The Local Government agrees to observe the above requirements for applicable subcontracts entered into for the performance of work under this Agreement.

(4) As provided in Subsection 287.135(8), F.S., if federal law ceases to authorize these contracting prohibitions then they shall become inoperative.

8.11. SUSPENSION.

The Department may suspend any or all of its obligations to Loan or provide financial accommodation to the Local Government under this Agreement in the following events, as determined by the Department:

- (1) The Local Government abandons or discontinues the Project before its completion,
- (2) The commencement, prosecution, or timely completion of the Project by the Local Government is rendered improbable or the Department has reasonable grounds to be insecure in Local Government's ability to perform, or
- (3) The implementation of the Project is determined to be illegal, or one or more officials of the Local Government in responsible charge of, or influence over, the Project is charged with violating any criminal law in the implementation of the Project or the administration of the proceeds from this Loan.

The Department shall notify the Local Government of any suspension by the Department of its obligations under this Agreement, which suspension shall continue until such time as the event or condition causing such suspension has ceased or been corrected, or the Department has re-instated the Agreement.

Local Government shall have no more than 30 days following notice of suspension hereunder to remove or correct the condition causing suspension. Failure to do so shall constitute a default under this Agreement.

Following suspension of disbursements under this Agreement, the Department may require reasonable assurance of future performance from Local Government prior to re-instating the Loan. Such reasonable assurance may include, but not be limited to, a payment mechanism using two party checks, escrow or obtaining a Performance Bond for the work remaining.

Following suspension, upon failure to cure, correct or provide reasonable assurance of future performance by Local Government, the Department may exercise any remedy available to it by this Agreement or otherwise and shall have no obligation to fund any remaining Loan balance under this Agreement.

ARTICLE IX - RESERVED

ARTICLE X - DETAILS OF FINANCING

10.01. PRINCIPAL AMOUNT OF LOAN.

The principal amount of the Loan is \$901,400, which includes \$900,000 to be disbursed to the Local Government and \$1,400 of Capitalized Interest.

Capitalized Interest is not disbursed to the Local Government, but is amortized via periodic Loan repayments to the Department as if it were actually disbursed. Capitalized Interest is computed at the Financing Rate, or rates, set for the Loan. It accrues and is compounded annually from the time when disbursements are made until six months before the first Semiannual Loan Payment is due. Capitalized Interest is estimated prior to establishment of the schedule of actual disbursements.

10.02. LOAN SERVICE FEE.

The Loan Service Fee is estimated as \$18,000 for the Loan amount authorized to date. The fee represents two percent of the Loan amount excluding Capitalized Interest; that is, two percent of \$900,000. The Loan Service Fee is estimated at the time of execution of the loan agreement and shall be revised with any increase or decrease amendment. The Loan Service Fee is based on actual Project costs and assessed in the final Loan amendment. The Local Government shall pay the Loan Service Fee from the first available repayment(s) following the Final Amendment.

10.03. FINANCING RATE.

The Financing Rate on the unpaid principal of the Loan amount specified in Section 10.01 is 0.58 percent per annum. The Financing Rate equals the sum of the interest rate and the Grant Allocation Assessment Rate. The interest rate is 0.29 percent per annum and the Grant Allocation Assessment rate is 0.29 percent per annum. However, if this Agreement is not executed by the Local Government and returned to the Department before July 1, 2020, the Financing Rate may be adjusted. A new Financing Rate shall be established for any funds provided by amendment to this Agreement.

10.04. LOAN TERM.

The Loan term shall be 20 years.

10.05. REPAYMENT SCHEDULE.

Repayments shall be made semiannually (twice per year). The Semiannual Loan Payment shall be computed based upon the principal amount of the Loan amount plus the estimated Loan Service Fee and the principle of level debt service. The Semiannual Loan Payment amount may be adjusted, by amendment of this Agreement, based upon revised information. After the final disbursement of Loan proceeds, the Semiannual Loan Payment shall be based upon the actual Project costs, the actual Loan Service Fee and Loan Service Fee capitalized interest, if any, and actual dates and amounts of disbursements, taking into consideration any previous payments. Actual Project costs shall be established after the Department's inspection of the completed Project and associated records. The Department will deduct the Loan Service Fee and any associated interest from the first available repayments following the Final Amendment.

Each Semiannual Loan Payment shall be in the amount of \$24,377 until the payment amount is adjusted by amendment. The interest and Grant Allocation Assessment portions of each Semiannual Loan Payment shall be computed, using their respective rates, on the unpaid balance of the principal amount of the Loan, which includes Capitalized Interest. Interest (at the Financing Rate) also shall be computed on the estimated Loan Service Fee. The interest and Grant Allocation Assessment on the unpaid balance shall be computed as of the due date of each Semiannual Loan Payment.

Unless repayment is deferred by an amendment to this Agreement, Semiannual Loan Payments shall be received by the Department beginning on August 15, 2021 and semiannually

thereafter on February 15 and August 15 of each year until all amounts due hereunder have been fully paid. Funds transfer shall be made by electronic means.

The Semiannual Loan Payment amount is based on the total amount owed of \$919,400, which consists of the Loan principal and the estimated Loan Service Fee.

10.06. PROJECT COSTS.

The Local Government and the Department acknowledge that actual Project costs have not been determined as of the effective date of this Agreement. An adjustment may be made due to a reduction in the scope of work proposed for Loan funding as a result of the facilities design process. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. The final costs shall be established in the final amendment. Changes in costs may also occur as a result of the Local Government's audit or the Department's audit.

The Local Government agrees to the following estimates of the Project costs:

<u>CATEGORY</u>	<u>PROJECT COSTS (\$)</u>
Design Activities costs (Disbursable Amount)	900,000
Capitalized Interest	1,400
TOTAL (Loan Principal Amount)	901,400

10.07. SCHEDULE.

All Design Activities shall be completed no later than the date set forth below.

- (1) Invoices submitted for work performed on or after November 13, 2019 may be eligible for reimbursement.
- (2) Completion of all Design Activities for all Project facilities proposed for loan funding no later than February 15, 2021.
- (3) Unless deferred by amendment, establish the Loan Debt Service Account and begin Monthly Loan Deposits no later than February 15, 2021.
- (4) The first Semiannual Loan Payment in the amount of \$24,377 shall be due August 15, 2021.

10.08. SPECIAL CONDITION.

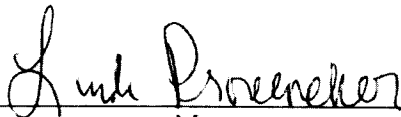
Prior to any funds being released, the Local Government shall submit a Legal Opinion addressing the availability of Pledged Revenues, the right to increase rates, and subordination of the pledge.

ARTICLE XI - EXECUTION OF AGREEMENT

This Loan Agreement WW180130 may be executed in two or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this Agreement to be executed on its behalf by the Secretary or Designee and the Local Government has caused this Agreement to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this Agreement shall be as set forth below by the Department.

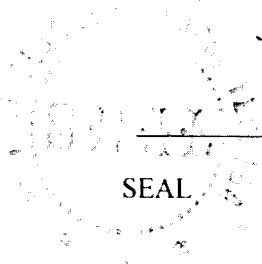
for
CITY OF FLAGLER BEACH

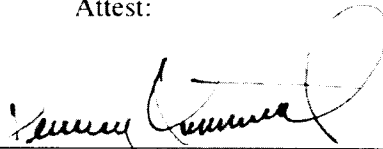


Mayor

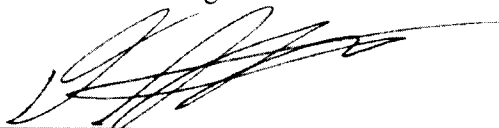
Attest:

I attest to the opinion expressed in Section 2.02,
entitled Legal Authorization.





City Clerk



City Attorney

for
STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Secretary or Designee

Date



FLORIDA DEPARTMENT OF Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, FL 32399

Ron DeSantis
Governor

Jeanette Nuñez
Lt. Governor

Noah Valenstein
Secretary

June 29, 2020

Mr. Benjamin M. Fries
Vice President/Design Manager
CPH, Inc.
500 West Fulton Street
Sanford, Florida 32771

*approved at the
7-9-2020 mts.
mailed to FDEP
7-10-2020*

Re: WW180130 – Flagler Beach
Treatment expansion and upgrade

Dear Mr. Fries:

Attached is a copy of the proposed State Revolving Fund loan agreement for the City of Flagler Beach's treatment expansion and upgrade project.

Please have the appropriate officials sign and seal two copies, and return them to us within three weeks at 3900 Commonwealth Boulevard, MS 3505, Tallahassee, Florida, 32399-3000. We will sign the documents and mail a fully executed original to the City. Please note that the Special Conditions listed in Section 10.08 of the Agreement must be provided before any funds can be released.

We appreciate your participation in the State Revolving Fund loan program. If you have any questions about the loan agreement, please call Megan Strohl at (850)245-2899.

Sincerely,

A handwritten signature in cursive script, appearing to read "Angela Knecht".

Angela Knecht, Program Administrator
State Revolving Fund Management

AK/ms

Attachment

cc: The Honorable Linda Provencher – City of Flagler Beach
Daniella Tow – CPH, Inc.



FLAGLER BEACH CITY COMMISSION

City Manager's Report

Item No. 9

Meeting Date: July 09, 2020

Issue: Approve the State Revolving Fund Loan Agreement for the Wastewater Treatment Plant Expansion and Upgrade Project

From: Summary submitted by Penny Overstreet, City Clerk

Organization: City of Flagler Beach

RECOMMENDATION: Motion to approve and authorize mayor to sign same.

BACKGROUND: At the February 27, 2020 meeting the Board approved Resolution 2020-03, authorizing the loan application, agreement, established pledged revenues and designated representatives. At this same meeting the Board engaged into an engineering design contract with Conklin Porter and Homes (CPH) Engineering for the redesign and reconstruction and future expansion of our existing Wastewater Treatment Plant to a 1.5 MGD and eventual 2.0 MGD facility. The funding of the contract amount \$799,975 is the purpose of obtaining the State Revolving Fund Loan.

While reviewing the Agreement Finance Director, Kathleen Doyle noticed Section 10.03 states the agreement should be executed and returned before July 1st or the interest rate cannot be guaranteed. Kathleen contacted Megan Strohl, Government Operations Consultant II, Division of Water Restoration Assistance State Revolving Fund Program and voiced her concern of the City being in receipt of the agreement on June 29th and the impossibility of having it approved and returned before the 1st. Ms. Strohl responded July 10, 2020 would be fine for a return date and that the July 1st deadline is standard language since it is the end of the interest rate quarter, and they understood it was impossible to return the Agreement in such a short time.

BUDGETARY IMPACT: A budget amendment will be forthcoming to recognize the loan proceeds and the expense of the design work. The loan origination fees will be rolled into the loan.

LEGAL CONSIDERATIONS/SIGN-OFF: City Attorney is required to attest to the legal authorization expressed in Section 2.02 of the Agreement.

PERSONNEL: Finance Director, City Attorney, City Engineer, and City Clerk.

POLICY/REQUIREMENT FOR BOARD ACTION: Approve and authorize the Mayor to endorse the agreement.

IMPLEMENTATION/COORDINATION: Finance Director will ensure the Audit and Monitoring requirements are met. City Attorney will advise the city staff in accordance with the terms of the agreement. City Engineer will oversee the activities of the engineering design firm and ensure invoices are properly submitted to Finance. City Clerk will ensure documents are endorsed retained per the terms of the agreement.

Attachments

- Cover Letter and Design Loan Agreement from Florida Department of Environmental Protection
- Resolution 2020-03

Project # DW1801010 Grantee City of Flagler Beach
File Folder Agreement - Left

**STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

AND

CITY OF FLAGLER BEACH, FLORIDA

**DRINKING WATER STATE REVOLVING FUND
AMENDMENT 1 TO FINANCIAL ASSISTANCE AGREEMENT**

DW1801 010

Florida Department of Environmental Protection
Bureau of Water Facilities Funding
Twin Towers Office Building
2600 Blair Stone Road, MS 3505
Tallahassee, Florida 32399-2400

**DRINKING WATER STATE REVOLVING FUND AMENDMENT 1 TO FINANCIAL ASSISTANCE
AGREEMENT**

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DRINKING WATER STATE REVOLVING FUND AMENDMENT 1 TO FINANCIAL ASSISTANCE
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**DRINKING WATER STATE REVOLVING FUND
AMENDMENT 1 TO FINANCIAL ASSISTANCE AGREEMENT
DW1801 010**

THIS AGREEMENT is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and the CITY OF FLAGLER BEACH, FLORIDA, (Project Sponsor) existing as a local governmental agency under the laws of the State of Florida.

WITNESSETH:

WHEREAS, pursuant to Section 403.8532, Florida Statutes, the Department is authorized to provide financial assistance to financially disadvantaged communities to finance or refinance the construction of public water systems, the planning and design of which have been reviewed by the Department; and

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Agreement, Number DW1801 010, authorizing a Grant amount of \$204,000; and

WHEREAS, the Project Sponsor is entitled to additional financing for Construction Related Costs, consisting of Loan funds in the amount of \$3,375,000, excluding Capitalized Interest; and

NOW, THEREFORE, in consideration of the Department loaning money to the Local Government, in the principal amount and pursuant to the covenants hereinafter set forth, it is agreed to supersede State Revolving Fund Loan DW1801 010 with the following:

ARTICLE I - DEFINITIONS

1.01. WORDS AND TERMS.

Words and terms used herein shall have the meanings set forth below:

(1) "Agreement" or "Financial Assistance Agreement" shall mean this construction financial assistance agreement.

(2) "Authorized Representative" shall mean the official of the Project Sponsor authorized by ordinance or resolution to sign documents associated with the Loan.

(3) "Capitalized Interest" shall mean the interest accruing on Loan proceeds from the time of disbursement until six months before the first Semiannual Loan Payment is due. Capitalized Interest is financed as part of the Loan principal.

(4) "Depository" shall mean a bank or trust company, having a combined capital and unimpaired surplus of not less than \$50 million, authorized to transact commercial banking or savings and loan business in the State of Florida and insured by the Federal Deposit Insurance Corporation.

(5) "Grant" shall mean the amount of money to be awarded pursuant to this Agreement and subsequent amendments.

(6) "Grant Application" shall mean the completed form which provides all information required to support obtaining construction financial assistance.

(7) "Gross Revenues" shall mean all income or earnings received by the Project Sponsor from the ownership or operation of its Water and Sewer Systems, including investment income, all as calculated in accordance with generally accepted accounting principles. Gross Revenues shall not include proceeds from the sale or other disposition of any part of the Water or Sewer System, condemnation awards or proceeds of insurance, except use and occupancy or business interruption insurance, received with respect to the Water or Sewer System.

(8) "Loan" shall mean the amount of money to be loaned pursuant to this Agreement and subsequent amendments.

(9) "Loan Debt Service Account" shall mean an account, or a separately identified component of a pooled cash or liquid account, with a Depository established by the Project Sponsor for the purpose of accumulating Monthly Loan Deposits and making Semiannual Loan Payments.

(10) "Loan Service Fee" shall mean an origination fee which shall be paid to the Department by the Project Sponsor.

(11) "Monthly Loan Deposit" shall mean the monthly deposit to be made by the Project Sponsor to the Loan Debt Service Account.

(12) "Operation and Maintenance Expense" shall mean the costs of operating and maintaining the Water and Sewer Systems determined pursuant to generally accepted accounting principles, exclusive of interest on any debt payable from Gross Revenues, depreciation, and any other items not requiring the expenditure of cash.

(13) "Pledged Revenues" shall mean the specific revenues pledged as security for repayment of the Loan and shall be the Gross Revenues derived yearly from the operation of the Water and Sewer Systems after payment of the Operation and Maintenance Expense and the satisfaction of all yearly payment obligations on account of any senior obligations issued pursuant to Section 7.02 of this Agreement.

(14) "Project" shall mean the works financed by this amendment this and future amendments consisting of furnishing all labor, materials, and equipment to construct the water treatment facilities in accordance with the plans and specifications entitled "Water Treatment Plant Expansion – Parts A, B, and C" accepted by the Department effective April 15, 2004.

The Project is in agreement with the "City of Flagler Beach" Water Facilities Plan. Approval of this Project is provided by the Florida Categorical Exclusion Notification dated April 11, 2003. The Project is an Equivalency Project as defined in Chapter 62-552, Florida Administrative Code.

(15) "Semiannual Loan Payment" shall mean the payment due from the Project Sponsor to the Department at six-month intervals, and it is comprised of principal and interest. In addition, the Loan Service Fee and all associated interest are deducted from the first two payments.

(16) "Sewer System" shall mean all facilities owned by the Project Sponsor for collection, transmission, treatment and reuse of wastewater and its residuals.

(17) "Water System" shall mean all facilities owned by the Project Sponsor for supplying and distributing water for residential, commercial, industrial, and governmental use.

1.02. CORRELATIVE WORDS.

Words of the masculine gender shall be understood to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the singular shall include the plural and the word "person" shall include corporations and associations, including public bodies, as well as natural persons.

ARTICLE II - WARRANTIES, REPRESENTATIONS AND COVENANTS

2.01. WARRANTIES, REPRESENTATIONS AND COVENANTS.

The Project Sponsor warrants, represents and covenants that:

(1) The Project Sponsor has full power and authority to enter into this Agreement and to comply with the provisions hereof.

(2) The Project Sponsor currently is not the subject of bankruptcy, insolvency, or reorganization proceedings and is not in default of, or otherwise subject to, any agreement or any law, administrative regulation, judgment, decree, note, resolution, charter or ordinance which would currently restrain or enjoin it from entering into, or complying with, this Agreement.

(3) There is no material action, suit, proceeding, inquiry or investigation, at law or in equity, before any court or public body, pending or, to the best of the Project Sponsor's knowledge, threatened, which seeks to restrain or enjoin the Project Sponsor from entering into or complying with this Agreement.

(4) All permits, real property interests, and approvals required as of the date of this Agreement have been obtained for construction and use of the Project. The Project Sponsor knows of no reason why any future required permits or approvals are not obtainable.

(5) The Project Sponsor shall undertake the Project on its own responsibility, to the extent permitted by law.

(6) To the extent permitted by law, the Project Sponsor shall release and hold harmless the State, its officers, members, and employees from any claim arising in connection with the Project Sponsor's actions or omissions in its planning, engineering, administrative, and construction activities financed by this Loan or its operation of the Project.

(7) All Project Sponsor representations to the Department, pursuant to the Grant Application and Agreement, were true and accurate as of the date such representations were made. The financial information delivered by the Project Sponsor to the Department was current and correct as of the date such information was delivered. The Project Sponsor shall comply with Chapter 62-552, Florida Administrative Code, and all applicable State and Federal laws, rules, and regulations which are identified in the Grant Application or Agreement. Minority and Women's Business Enterprise goals as stated in the plans and specifications apply to this Project. To the extent that any assurance,

representation, or covenant requires a future action, the Project Sponsor shall take such action as is necessary for compliance.

(8) The Project Sponsor shall maintain records using Generally Accepted Governmental Accounting Standards established by the Governmental Accounting Standards Board. As part of its bookkeeping system, the Project Sponsor shall keep accounts of the Water and Sewer Systems separate from all other accounts and it shall keep accurate records of all revenues, expenses, and expenditures relating to the Water and Sewer Systems, and of the Pledged Revenues, Loan disbursement receipts, and Loan Debt Service Account.

(9) In the event the anticipated Pledged Revenues are shown by the Project Sponsor's annual budget to be insufficient to make the Semiannual Loan Payments for such Fiscal Year when due, the Project Sponsor shall include in such budget other legally available funds which will be sufficient, together with the Pledged Revenues, to make the Semiannual Loan Payments. Such other legally available funds shall be budgeted in the regular annual governmental budget and designated for the purpose provided by this Subsection, and the Project Sponsor shall collect such funds for application as provided herein. The Project Sponsor shall notify the Department immediately in writing of any such budgeting of other legally available funds. Nothing in this covenant shall be construed as creating a pledge, lien, or charge upon any such other legally available funds; requiring the Project Sponsor to levy or appropriate ad valorem tax revenues; or preventing the Project Sponsor from pledging to the payment of any bonds or other obligations all or any part of such other legally available funds.

(10) Each year, beginning three months before the first Semiannual Loan Payment and ending with the year during which the final Loan repayment is made, the Project Sponsor's Authorized Representative or its chief financial officer shall submit, pursuant to the schedule established in Section 10.07, a certification that: (a) Pledged Revenue collections satisfy the rate coverage requirement; (b) the Loan Debt Service Account contains the funds required; and (c) insurance in effect for the facilities generating the Pledged Revenues adequately covers the customary risks to the extent that such insurance is available.

(11) Pursuant to Section 216.347 of the Florida Statutes, the Project Sponsor shall not use this financial assistance for the purpose of lobbying the Florida Legislature, the Judicial Branch, or a State agency.

(12) The Project Sponsor agrees to construct the Project in accordance with the Project schedule. Delays incident to strikes, riots, acts of God, and other events beyond the reasonable control of the Project Sponsor are excepted. If for any reason construction is not completed as scheduled, there shall be no resulting diminution or delay in the Semiannual Loan Payment or the Monthly Loan Deposit.

(13) The Project Sponsor covenants that this Agreement is entered into for the purpose of constructing, refunding, or refinancing the Project which will in all events serve a public purpose. The Project Sponsor covenants that it will, under all conditions, complete and operate the Project to fulfill the public need.

2.02. LEGAL AUTHORIZATION.

Upon signing this Agreement, the Project Sponsor's legal counsel hereby expresses the opinion, subject to laws affecting the rights of creditors generally, that:

(1) This Agreement has been duly authorized by the Project Sponsor and shall constitute a valid and legal obligation of the Project Sponsor enforceable in accordance with its terms upon execution by both parties; and

(2) This Agreement specifies the revenues pledged for repayment of the Loan, and the pledge is valid and enforceable.

2.03. AUDIT AND MONITORING REQUIREMENTS.

The Project Sponsor agrees to the following audit and monitoring requirements.

(1) The financial assistance authorized pursuant to this Financial Assistance Agreement consists of following:

Federal Resources, Including State Match, Awarded to the Recipient Pursuant to this Agreement Consist of the Following:					
Federal Program Number	Federal Agency	CFDA Number	CFDA Title	Funding Amount	State Appropriation Category
FS984522-040	EPA	66.468	Capitalization Grants for Drinking Water State Revolving Fund	\$3,579,000	140129

(2) Audits.

(a) In the event that the Project Sponsor expends \$500,000 or more in Federal awards in its fiscal year, the Project Sponsor must have a single or program-specific audit conducted in accordance with the provisions of OMB Circular A-133, as revised. Subsection 2.03(1) of this Agreement indicates that Federal funds are awarded through the Department of Environmental Protection by this Agreement. In determining the Federal awards expended in its fiscal year, the Project Sponsor shall consider all sources of Federal awards, including Federal resources received from the Department of Environmental Protection. The determination of amounts of Federal awards expended should be in accordance with the guidelines established by OMB Circular A-133, as revised. An audit of the Project Sponsor conducted by the Auditor General in accordance with the provisions of OMB Circular A-133, as revised, will meet the requirements of this part.

(b) In connection with the audit requirements addressed in the preceding paragraph (a), the Project Sponsor shall fulfill the requirements relative to auditee responsibilities as provided in Subpart C of OMB Circular A-133, as revised.

(c) If the Project Sponsor expends less than \$500,000 in Federal awards in its fiscal year, an audit conducted in accordance with the provisions of OMB Circular A-133, as revised, is not required. In the event that the Project Sponsor expends less than \$500,000 in Federal awards in its fiscal year and elects to have an audit conducted in accordance with the provisions of OMB Circular A-133, as revised, the cost of the audit must be paid from non-Federal resources (i.e., the cost of such an audit must be paid from Project Sponsor resources obtained from other than Federal entities).

(d) The Project Sponsor may access information regarding the Catalog of Federal Domestic Assistance (CFDA) via the internet at <http://aspe.os.dhhs.gov/cfda>.

(3) Report Submission.

(a) Copies of reporting packages for audits conducted in accordance with OMB Circular A-133, as revised, and required by Subsection 2.03(2) of this Agreement shall be submitted, when required by Section .320 (d), OMB Circular A-133, as revised, by or on behalf of the Project Sponsor directly to each of the following:

(i) The Department of Environmental Protection at each of the following addresses:

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 3505
Tallahassee, Florida 32399-2400

Joe Aita, Audit Director
Office of the Inspector General
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 40
Tallahassee, Florida 32399-2400

(ii) The Federal Audit Clearinghouse designated in OMB Circular A-133, as revised (the number of copies required by Sections .320 (d)(1) and (2), OMB Circular A-133, as revised, should be submitted to the Federal Audit Clearinghouse), at the following address:

Federal Audit Clearinghouse
Bureau of the Census
1201 East 10th Street
Jeffersonville, IN 47132

(iii) Other Federal agencies and pass-through entities in accordance with Sections .320(e) and (f), OMB Circular A-133, as revised.

(b) Pursuant to Section .320(f), OMB Circular A-133, as revised, the Project Sponsor shall submit a copy of the reporting package described in Section .320(c), OMB Circular A-133, as revised, and any management letters issued by the auditor, to the Department of Environmental Protection at the two addresses listed under Subsection 2.03(3)(a) of this Agreement.

(c) Any reports, management letters, or other information required to be submitted to the Department of Environmental Protection pursuant to this Agreement shall be submitted timely in accordance with OMB Circular A-133, Florida Statutes, or Chapters 10.550 (local governmental entities) or 10.650 (nonprofit and for-profit organizations), Rules of the Auditor General, as applicable.

(d) Project Sponsors, when submitting financial reporting packages to the Department of Environmental Protection for audits done in accordance with OMB Circular A-133, or Chapters 10.550 (local governmental entities) or 10.650 (nonprofit and for-profit organizations), Rules of the Auditor General, should indicate the date that the reporting package was delivered to the Project Sponsor in correspondence accompanying the reporting package.

(4) Project-Specific Audit.

Within 12 months after the amendment establishing final Project costs, the Project Sponsor shall submit to the Department a Project-specific audit report for the Loan related revenues and expenditures. The audit shall address Loan disbursements received, Project expenditures, and compliance with Financial Assistance Agreement covenants. The Project Sponsor shall cause the auditor to notify the Department immediately if anything comes to the auditor's attention during the examination of records that would constitute a default under the Financial Assistance Agreement. The audit findings shall set aside or question any costs that are unallowable under Chapter 62-552, Florida Administrative Code. A final determination of whether such costs are allowed shall be made by the Department.

(5) Record Retention.

The Project Sponsor shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period of five years from the date the audit report is issued, and shall allow the Department of Environmental Protection, or its designee, Chief Financial Officer, or Auditor General access to such records upon request. The Project Sponsor shall ensure that audit working papers are made available to the Department of Environmental Protection, or its designee, Chief Financial Officer, or Auditor General upon request for a period of three years from the date the audit report is issued, unless extended in writing by the Department of Environmental Protection.

(6) Monitoring.

In addition to reviews of audits conducted in accordance with OMB Circular A-133, as revised (see audit requirements above), monitoring procedures may include, but not be limited to, on-site visits by Department staff, limited scope audits as defined by OMB Circular A-133, as revised, and/or other procedures. By entering into this Agreement, the Project Sponsor agrees to comply and cooperate with any monitoring procedures/processes deemed appropriate by the Department of Environmental Protection. In the event the Department of Environmental Protection determines that a limited scope audit of the Project Sponsor is appropriate, the Project Sponsor agrees to comply with any additional instructions provided by the Department to the Project Sponsor regarding such audit. The Project Sponsor further agrees to comply and cooperate with any inspections, reviews, investigations, or audits deemed necessary by the Chief Financial Officer or Auditor General.

ARTICLE III - LOAN REPAYMENT ACCOUNTS

3.01. LOAN DEBT SERVICE ACCOUNT.

The Project Sponsor shall establish a Loan Debt Service Account with a Depository and begin making Monthly Loan Deposits no later than the date set forth for such action in Section 10.07 of this Agreement.

Beginning six months prior to each Semiannual Loan Payment, the Project Sponsor shall make six Monthly Loan Deposits. The first five deposits each shall be at least equal to one-sixth of the Semiannual Loan Payment. The sixth Monthly Loan Deposit shall be at least equal to the amount required to make the total on deposit in the Loan Debt Service Account equal to the Semiannual Loan Payment amount, taking into consideration investment earnings credited to the account pursuant to Section 3.02.

Any month in which the Project Sponsor fails to make a required Monthly Loan Deposit, the Project Sponsor's chief financial officer shall notify the Department of such failure. In addition, the Project Sponsor agrees to budget, by amendment if necessary, payment to the Department from other legally available funds all sums becoming due before the same become delinquent. This requirement shall not be construed to give superiority to the Department's claim on any revenues over prior claims of general creditors of the Project Sponsor, nor shall it be construed to give the Department the power to require the Project Sponsor to levy and collect any revenues other than Pledged Revenues.

3.02. INVESTMENT OF LOAN DEBT SERVICE ACCOUNT MONEYS.

Moneys on deposit in the Loan Debt Service Account shall be invested pursuant to the laws of the State of Florida. Such moneys may be pooled for investment purposes. The maturity or redemption date of investments shall be not later than the date upon which such moneys may be needed to make Semiannual Loan Payments. The investment earnings shall be credited to the Loan Debt Service Account and applied toward the Monthly Loan Deposit requirements.

3.03. LOAN DEBT SERVICE ACCOUNT WITHDRAWALS.

The withdrawal of moneys from the Loan Debt Service Account shall be for the sole purpose of making the Semiannual Loan Payment or for discharging the Project Sponsor's obligations pursuant to Section 8.01.

3.04. ASSETS HELD IN TRUST.

The assets in all accounts created under this Financial Assistance Agreement shall be held in trust for the purposes provided herein and used only for the purposes and in the manner prescribed in this Agreement; and, pending such use, said assets shall be subject to a lien and charge in favor of the Department.

ARTICLE IV - PROJECT INFORMATION

4.01. PROJECT CHANGES.

Project changes prior to bid opening shall be made by addendum to plans and specifications. Changes after bid opening shall be made by change order. The Project Sponsor shall submit all addenda and all change orders to the Department. All change orders require an eligibility determination by the Department. After execution of all construction, equipment and materials contracts, the Project contingency may be reduced.

4.02. TITLE TO PROJECT SITE.

The Project Sponsor shall have an interest in real property sufficient for the construction and location of the Project free and clear of liens and encumbrances which would impair the usefulness of such sites for the intended use.

4.03. PERMITS AND APPROVALS.

The Project Sponsor shall have obtained, prior to the Department's authorization to award construction contracts, all permits and approvals required for construction of the Project or portion of the Project funded under this Agreement.

4.04. ENGINEERING SERVICES.

A professional engineer, registered in the State of Florida, shall be employed by, or under contract with, the Project Sponsor to oversee construction.

4.05. PROHIBITION AGAINST ENCUMBRANCES.

The Project Sponsor is prohibited from selling, leasing, or disposing of any part of the Water or Sewer System which would materially reduce operational integrity or Gross Revenues so long as this Agreement, including any amendments thereto, is in effect unless the written consent of the Department is first secured. The Project Sponsor may be required to reimburse the Department for the grant funded cost of any such part, taking into consideration any increase or decrease in value.

4.06. COMPLETION MONEYS.

In addition to the proceeds of this Loan, the Project Sponsor covenants that it has obtained, or will obtain, sufficient moneys from other sources to complete construction and place the Project in operation on, or prior to, the date specified in Article X. Failure of the Department to approve additional financing shall not constitute a waiver of the Project Sponsor's covenants to complete and place the Project in operation.

4.07. CLOSE-OUT.

The Department shall conduct a final inspection of the Project and Project records. Following the inspection, deadlines for submitting additional disbursement requests, if any, shall be established, along with deadlines for uncompleted Loan or Grant requirements, if any. Deadlines shall be incorporated into the Financial Assistance Agreement by amendment. The Loan principal shall be reduced by any excess over the amount required to pay all approved costs. As a result of such adjustment, the Semiannual Loan Payment shall be reduced accordingly, as addressed in Section 10.05.

4.08. DISBURSEMENTS.

Disbursements shall be made only by the State Chief Financial Officer and only when the requests for such disbursements are accompanied by a Department certification that such withdrawals are proper expenditures. Disbursements shall be made directly to the Project Sponsor for engineering and administrative allowances, and reimbursement of the incurred construction costs and related services. Disbursement of the allowances shall be made upon the Department's receipt of a disbursement request form. Disbursements for materials, labor, or services shall be made upon receipt of the following:

(1) A completed disbursement request form signed by the Authorized Representative. Such requests must be accompanied by sufficiently itemized summaries of the materials, labor, or services to identify the nature of the work performed; the cost or charges for such work; and the person providing the service or performing the work.

(2) A certification signed by the Authorized Representative as to the current estimated costs of the Project; that the materials, labor, or services represented by the invoice have been satisfactorily purchased, performed, or received and applied to the project; that all funds received to date have been applied toward completing the Project; and that under the terms and provisions of the contracts, the Project Sponsor is required to make such payments.

(3) A certification by the engineer responsible for overseeing construction stating that equipment, materials, labor and services represented by the construction invoices have been satisfactorily purchased, or received, and applied to the Project in accordance with construction contract documents; stating that payment is in accordance with construction contract provisions; stating that construction, up to the point of the requisition, is in compliance with the contract documents; and identifying all additions or deletions to the Project which have altered the Project's performance standards, scope, or purpose since the issue of the Department construction permit.

(4) Such other certificates or documents by engineers, attorneys, accountants, contractors, or suppliers as may reasonably be required by the Department.

ARTICLE V - RATES AND USE OF THE WATER AND SEWER SYSTEMS

5.01. RATE COVERAGE.

The Project Sponsor shall maintain rates and charges for the services furnished by the Water and Sewer Systems which will be sufficient to provide, in each Fiscal Year, Pledged Revenues equal to or exceeding 1.15 times the sum of the Semiannual Loan Payments due in such Fiscal Year. In addition, the Project Sponsor shall satisfy the coverage requirements of all senior and parity debt obligations.

5.02. NO FREE SERVICE.

The Project Sponsor shall not permit connections to, or furnish any services afforded by, the Water or Sewer System without making a charge therefor based on the Project Sponsor's uniform schedule of rates, fees, and charges.

5.03. MANDATORY CONNECTIONS.

The Project Sponsor shall adopt, as necessary, and enforce requirements, consistent with applicable laws, for the owner, tenant or occupant of each building located on a lot or parcel of land which is served, or may reasonably be served, by the Sewer System to connect such building to the Sewer System.

5.04. NO COMPETING SERVICE.

The Project Sponsor shall not allow any person to provide any services which would compete with the Water or Sewer System so as to adversely affect Gross Revenues.

5.05. MAINTENANCE OF THE WATER AND SEWER SYSTEMS.

The Project Sponsor shall operate and maintain the Water and Sewer Systems in a proper, sound and economical manner and shall make all necessary repairs, renewals and replacements.

5.06. ADDITIONS AND MODIFICATIONS.

The Project Sponsor may make any additions, modifications or improvements to the Water and Sewer Systems which it deems desirable and which do not materially reduce the operational integrity of any part of the Water or Sewer System. All such renewals, replacements, additions, modifications and improvements shall become part of the Water and Sewer Systems.

5.07. COLLECTION OF REVENUES.

The Project Sponsor shall use its best efforts to collect all rates, fees and other charges due to it. The Project Sponsor shall establish liens on premises served by the Water or Sewer System for the amount of all delinquent rates, fees and other charges where such action is permitted by law. The Project Sponsor shall, to the full extent permitted by law, cause to discontinue the services of the Water and Sewer Systems and use its best efforts to shut off water service furnished to persons who are delinquent beyond customary grace periods in the payment of Water and Sewer System rates, fees and other charges.

ARTICLE VI - DEFAULTS AND REMEDIES

6.01. EVENTS OF DEFAULT.

Each of the following events is hereby declared an event of default:

(1) Failure to make any Monthly Loan Deposit or to make any installment of the Semiannual Loan Payment when it is due and such failure shall continue for a period of 30 days.

(2) Except as provided in Subsections 6.01(1) and 6.01(7), failure to comply with the provisions of this Agreement or failure in the performance or observance of any of the covenants or actions required by this Agreement and such failure shall continue for a period of 60 days after written notice thereof to the Project Sponsor by the Department.

(3) Any warranty, representation or other statement by, or on behalf of, the Project Sponsor contained in this Agreement or in any information furnished in compliance with, or in reference to, this Agreement, which is false or misleading.

(4) An order or decree entered, with the acquiescence of the Project Sponsor, appointing a receiver of any part of the Water or Sewer System or Gross Revenues thereof; or if such order or decree, having been entered without the consent or acquiescence of the Project Sponsor, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof.

(5) Any proceeding instituted, with the acquiescence of the Project Sponsor, for the purpose of effecting a composition between the Project Sponsor and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from Gross Revenues of the Water or Sewer System.

(6) Any bankruptcy, insolvency or other similar proceeding instituted by, or against, the Project Sponsor under federal or state bankruptcy or insolvency law now or hereafter in effect and, if instituted against the Project Sponsor, is not dismissed within 60 days after filing.

(7) Failure of the Project Sponsor to give immediate written notice of default to the Department and such failure shall continue for a period of 30 days.

6.02. REMEDIES.

Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights by any of the following remedies:

(1) By mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of the Water and Sewer Systems, and to require the Project Sponsor to fulfill this Agreement.

(2) By action or suit in equity, require the Project Sponsor to account for all moneys received from the Department or from the ownership of the Water and Sewer Systems and to account for the receipt, use, application, or disposition of the Pledged Revenues.

(3) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Department.

(4) By applying to a court of competent jurisdiction, cause to appoint a receiver to manage the Water and Sewer Systems, establish and collect fees and charges, and apply the revenues to the reduction of the obligations under this Agreement.

(5) By certifying to the Auditor General and the Chief Financial Officer delinquency on loan repayments, the Department may intercept the delinquent amount plus six percent, expressed as an annual interest rate, penalty of the amount due to the Department from any unobligated funds due to the Project Sponsor under any revenue or tax sharing fund established by the State, except as otherwise provided by the State Constitution. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.

(6) By notifying financial market credit rating agencies and potential creditors.

(7) By suing for payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.

(8) By accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the Loan to as much as 1.667 times the Loan interest rate for a default under Subsection 6.01(1).

6.03. DELAY AND WAIVER.

No delay or omission by the Department to exercise any right or power accruing upon event of default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient. No waiver or any default under this Agreement shall extend to or affect any subsequent event of default, whether of the same or different provision of this Agreement, or shall impair consequent rights or remedies.

ARTICLE VII - THE PLEDGED REVENUES

7.01. SUPERIORITY OF THE PLEDGE TO THE DEPARTMENT.

From and after the effective date of this Agreement, the Department shall have a lien on the Pledged Revenues, which along with any other Department State Revolving Fund liens on the Pledged Revenues, will be prior and superior to any other lien, pledge or assignment with the following exception. All obligations of the Local Government under this Agreement shall be junior, inferior, and subordinate in all respects in right of payment and security to any additional senior obligations issued

with the Department's consent pursuant to Section 7.02. Any of the Pledged Revenues may be released from the lien on such Pledged Revenues in favor of the Department if the Department makes a determination, based upon facts deemed sufficient by the Department, that the remaining Pledged Revenues will, in each Fiscal Year, equal or exceed 1.15 times the debt service coming due in each Fiscal Year under the terms of this Agreement.

7.02. ADDITIONAL DEBT OBLIGATIONS.

The Project Sponsor may issue additional debt obligations on a parity with, or senior to, the lien of the Department on the Pledged Revenues provided the Department's written consent is obtained. Such consent shall be granted if the Project Sponsor demonstrates at the time of such issuance that the Pledged Revenues, which may take into account reasonable projections of growth of the Water and Sewer Systems and revenue increases, plus revenues to be pledged to the additional proposed debt obligations will, during the period of time Semiannual Loan Payments are to be made under this Agreement, equal or exceed 1.15 times the annual combined debt service requirements of this Agreement and the obligations proposed to be issued by the Project Sponsor and will satisfy the coverage requirements of all other debt obligations secured by the Pledged Revenues.

ARTICLE VIII - GENERAL PROVISIONS

8.01. DISCHARGE OF OBLIGATIONS.

All payments required to be made under this Agreement shall be cumulative and any deficiencies in any Fiscal Year shall be added to the payments due in the succeeding year and all years thereafter until fully paid. Payments shall continue to be secured by this Agreement until all of the payments required shall be fully paid to the Department. If at any time the Project Sponsor shall have paid, or shall have made provision for the timely payment of, the entire principal amount of the Loan and interest, the pledge of, and lien on, the Pledged Revenues to the Department shall be no longer in effect. Deposit of sufficient cash, securities, or investments, authorized by law from time to time, may be made to effect defeasance of this Loan. However, the deposit shall be made in irrevocable trust with a banking institution or trust company for the sole benefit of the Department. There shall be no penalty imposed by the Department for early retirement of this Loan.

8.02. PROJECT RECORDS AND STATEMENTS.

Books, records, reports, engineering documents, contract documents, and papers shall be available to the authorized representatives of the Department and the U.S. Environmental Protection Agency's Inspector General for inspection at any reasonable time after the Project Sponsor has received a disbursement and before three years have elapsed after the Department's final Project disbursement to the Project Sponsor.

8.03. ACCESS TO PROJECT SITE.

The Project Sponsor shall provide access to Project sites and administrative offices to authorized representatives of the Department at any reasonable time. The Project Sponsor shall cause its engineers and contractors to cooperate during Project inspections, including making available working copies of plans and specifications and supplementary materials.

8.04. ASSIGNMENT OF RIGHTS UNDER AGREEMENT.

The Department may assign any part of its rights under this Agreement after notification to the Project Sponsor. The Project Sponsor shall not assign rights created by this Agreement without the written consent of the Department.

8.05. AMENDMENT OF AGREEMENT.

This Agreement may be amended in writing, except that no amendment shall be permitted which is inconsistent with statutes, rules, regulations, executive orders, or written agreements between the Department and the U.S. Environmental Protection Agency. This Agreement may be amended after all construction contracts are executed to re-establish the Project cost, Grant amount, Loan amount, Project schedule, and Semiannual Loan Payment amount. A final amendment establishing the final Project costs shall be completed after the Department's final inspection of the Project records.

8.06. ANNULMENT OF AGREEMENT.

The Department may unilaterally annul this Agreement if the Project Sponsor has not drawn any of the financial assistance proceeds by the date set in Section 10.07 for establishing the Loan Debt Service Account. If the Department unilaterally annuls this Agreement, the Department will provide written notification to the Project Sponsor.

8.07. SEVERABILITY CLAUSE.

If any provision of this Agreement shall be held invalid or unenforceable, the remaining provisions shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

ARTICLE IX - CONSTRUCTION CONTRACTS AND INSURANCE

9.01. AUTHORIZATION TO AWARD CONSTRUCTION CONTRACTS.

The following documentation is required to receive the Department's authorization to award construction contracts:

- (1) Proof of advertising.
- (2) Award recommendation, bid proposal, and bid tabulation (certified by the responsible engineer).
- (3) Certified copy of the Project Sponsor's tentative award resolution.
- (4) Certification of compliance with the conditions of the Department's approval of competitively or non-competitively negotiated procurement, if applicable.
- (5) Certification by the Authorized Representative that affirmative steps were taken to encourage Minority and Women's Business Enterprises participation in Project construction.

(6) Current certifications for Minority and Women's Business Enterprises participating in the contract. If the goals as stated in the plans and specifications are not met, documentation of actions taken shall be submitted.

9.02. SUBMITTAL OF CONSTRUCTION CONTRACT DOCUMENTS.

After the Department's authorization to award construction contracts has been received, the Project Sponsor shall submit contractor insurance certifications and notices to proceed with construction.

9.03. INSURANCE REQUIRED.

The Project Sponsor shall cause the Project, as each part thereof is certified by the engineer responsible for overseeing construction as completed, and the Water and Sewer Systems (hereafter referred to as "Revenue Producing Facilities") to be insured by an insurance company or companies licensed to do business in the State of Florida against such damage and destruction risks as are customary for the operation of Revenue Producing Facilities of like size, type and location to the extent such insurance is obtainable from time to time against any one or more of such risks.

The proceeds of insurance policies received as a result of damage to, or destruction of, the Project or the other Revenue Producing Facilities, shall be used to restore or replace damaged portions of the facilities. If such proceeds are insufficient, the Project Sponsor shall provide additional funds to restore or replace the damaged portions of the facilities. Repair, construction or replacement shall be promptly completed.

ARTICLE X - DETAILS OF FINANCING

10.01. GRANT LOAN AMOUNT.

The amount of the grant previously awarded is \$204,000.

The estimated principal amount of the Loan is \$3,438,900, which consists of \$3,375,000 to be disbursed to the Project Sponsor and \$63,900 of Capitalized Interest.

Capitalized interest is not disbursed to the Project Sponsor, but is amortized via periodic loan repayments to the Department as if it were actually disbursed. Capitalized interest is computed at the interest rate, or rates, set for the Loan. It accrues and is compounded annually from the time when disbursements are made until six months before the first Semiannual Loan Payment is due. Capitalized Interest is estimated prior to establishing the schedule of actual disbursements.

This project is a Segmented Project. Additional State Revolving Fund financing for the Project is dependent upon the availability of additional funds. The current funding limitations and future funding priority entitlement for Segmented Projects are set forth in the Chapter 62-552 of the Florida Administrative Code.

10.02. LOAN SERVICE FEE.

The Loan Service Fee is \$67,500 for the Loan amount authorized to date. The fee represents two percent of the Loan amount excluding Capitalized Interest; that is, two percent of \$3,375,000. An additional Loan Service Fee amount will be assessed for any additional funding provided by amendment to this Agreement. The fee shall be adjusted downward if adjustment of Project costs results in a Loan

decrease, provided that the decrease amendment is executed before the first Semiannual Loan Payment due date.

Interest shall accrue on the Loan Service Fee at the rate, or rates, set for the Loan until the fee is paid. Loan Service Fee interest shall be compounded annually from the effective date of the Loan until six months before the first Semiannual Loan Payment is due at which time it is capitalized. The estimated Loan Service Fee capitalized interest is \$2,580.

10.03. INTEREST RATE.

The rate of interest on the unpaid principal of the Loan amount specified in Section 10.01 is 2.67 percent per annum; however, if this Agreement is not executed by the Project Sponsor and returned to the Department before September 1, 2005, the interest rate may be adjusted. A separate interest rate shall be established for any additional funds provided by amendment to this Agreement.

10.04. LOAN TERM.

The Loan shall be repaid in 40 Semiannual Loan Payments.

10.05. REPAYMENT SCHEDULE.

The Semiannual Loan Payment shall be computed based upon the principal amount of the Loan plus the Loan Service Fee and Loan Service Fee capitalized interest and the principle of level debt service. The Department will deduct the Loan Service Fee and all associated interest from the first two payments. The Semiannual Loan Payment amount may be adjusted, by amendment of this Agreement, based upon revised information. After the final disbursement of Loan proceeds, the Semiannual Loan Payment shall be based upon the actual Project costs and actual dates and amounts of disbursements, taking into consideration any previous payments. Actual Project costs shall be established after the Department's inspection of the completed Project and associated records.

Each Semiannual Loan Payment shall be in the amount of \$113,792 until the payment amount is adjusted by amendment. The interest portion of each Semiannual Loan Payment shall be computed on the unpaid balance of the principal amount of the Loan, including Capitalized Interest. Interest also shall be computed on the unpaid balance of the Loan Service Fee and Loan Service Fee capitalized interest. Interest shall be computed as of the due date of each Semiannual Loan Payment.

Semiannual Loan Payments shall be received by the Department beginning on July 15, 2007 and semiannually thereafter on January 15 and July 15 of each year until all amounts due hereunder have been fully paid. Funds transfer shall be made by electronic means.

The Semiannual Loan Payment amount is based on the total amount owed of \$3,508,980, which consists of the Loan principal plus the Loan Service Fee with its capitalized interest.

10.06. PROJECT COSTS.

The Project Sponsor and the Department acknowledge that the actual Project costs have not been determined as of the effective date of this Agreement. Project cost adjustments may be made as a result of construction bidding or mutually agreed upon Project changes. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for this Project, the costs funded by such other governmental

assistance will not be financed by this Loan. The Department shall establish the final costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit. The Project Sponsor agrees to the following estimates of Project costs:

(1) Estimated Financial Assistance for Preconstruction Activities Allowances:

Category	Total (\$)	Grant (\$)	Loan (\$)
Administrative Allowance	37,410	10,200	27,210
Planning Allowance	66,300	66,300	0
Engineering Allowance	399,040	127,500	271,540
Total	502,750	204,000	298,750

Additional financial assistance is provided for the administrative and engineering allowances in accordance with Chapter 62-552, Florida Administrative Code. That chapter prohibits additional financial assistance for the planning allowance. Grant funding is provided for 85 percent of the administrative and engineering allowances; Loan financing is provided for the remainder.

(2) Estimated Construction Related Costs:

Construction and Demolition	\$	5,486,364
Contingencies		548,636
Technical Services During Construction		200,000
Total	\$	6,235,000

(3) Breakdown of Financial Assistance Authorized to Date:

Category	Total(\$)	Grant(\$)	Loan(\$)
Preconstruction Activities Allowances	502,750	204,000	298,750
Construction Related Costs	3,076,250	0	3,076,250
Subtotal (Disbursable Amount)	3,579,000	204,000	3,375,000
Capitalized Interest		--	63,900
Total Loan Principal			3,438,900

Grant funding for Construction Related Costs shall not exceed 85 percent of the allowable costs.

(4) Summary of Financial Assistance Authorized to Date (Excluding Capitalized Interest):

	Total (\$)	Grant (\$)	Loan (\$)
Original Agreement	204,000	204,000	0
Amendment 1	3,375,000	0	3,375,000
Total	3,579,000	204,000	3,375,000

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PROJECT COSTS

CATEGORY	COST(\$)	AUTHORIZED LOAN AMOUNT(\$) TO DATE
(1) Administrative Allowance	27,210	
(2) Engineering Allowance	271,540	<i>Line items</i>
(3) Construction and Demolition	5,486,364	<i>may vary</i>
(4) Contingencies	548,636	<i>based on actual</i>
(6) Technical Services After Bid Opening	200,000	<i>disbursements</i>
SUBTOTAL(Disbursable Amount)	6,533,750	3,375,000
(7) Capitalized Interest	63,900	63,900
TOTAL (Loan Principal Amount)	6,597,650	3,438,900

10.07. SCHEDULE.

The Project Sponsor agrees by execution hereof:

- (1) Completion of Project construction is scheduled for January 15, 2007.
- (2) The Loan Debt Service Account shall be established and Monthly Loan Deposits shall begin no later than January 15, 2007.
- (3) The initial annual certification required under Subsection 2.01(10) of this Agreement shall be due April 15, 2007. Thereafter the certification shall be submitted no later than September 30 of each year until the final Semiannual Loan Payment is made.
- (4) The first Semiannual Loan Payment in the amount of \$113,792 shall be due July 15, 2007.

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ARTICLE XI - EXECUTION OF AGREEMENT

This Financial Assistance Agreement DW1801 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

The Project Sponsor acknowledges that the project may not qualify for additional Grant funding, and if it does qualify, that the funding level may be 85 percent of the allowable costs.

IN WITNESS WHEREOF, the Department has caused this Agreement to be executed on its behalf by the Secretary of the Department and the Project Sponsor has caused this Agreement to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this Agreement shall be as set forth below by the Secretary of the Department.

for

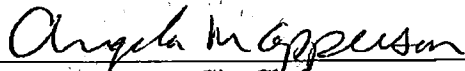
CITY OF FLAGLER BEACH



Mayor

Attest:

I attest to the opinion expressed in Section 2.02, entitled Legal Authorization, and as to form and legal sufficiency.



City Clerk

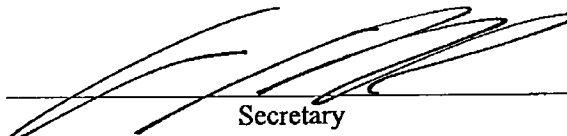


City Attorney

SEAL

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Secretary

JUL 18 2005

Date

Project # DW1801 010 Grantee FLAGLER BEACH
 File Folder AGREEMENT- REF1

**DRINKING WATER STATE REVOLVING FUND
 AMENDMENT 2 TO FINANCIAL ASSISTANCE AGREEMENT DW1801 010
 CITY OF FLAGLER BEACH**

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and the CITY OF FLAGLER BEACH, FLORIDA, (Project Sponsor) existing as a local government agency under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Financial Assistance Agreement, Number DW1801 010, as amended, authorizing a Grant amount of \$204,000 and a Loan amount of \$3,375,000, excluding Capitalized Interest; and

WHEREAS, the Project Sponsor is entitled to additional financing for Construction Related Costs, consisting of Loan funds in the amount of \$3,158,750, excluding Capitalized Interest; and

WHEREAS, an interest rate must be established for the additional financing amount awarded in this amendment; and

WHEREAS, a Loan Service Fee must be assessed for the additional financing; and

WHEREAS, the Semiannual Loan Payment amount needs revision to reflect adjustment in the Loan amount; and

WHEREAS, revised provisions for audit and monitoring are needed.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subsection 2.03(1) is deleted and replaced as follows:

(1) The financial assistance authorized pursuant to this Loan Agreement consists of the following:

Federal Resources, Including State Match, Awarded to the Recipient Pursuant to this Agreement Consist of the Following:					
Federal Program Number	Federal Agency	CFDA Number	CFDA Title	Funding Amount	State Appropriation Category
FS984522-050	EPA	66.468	Capitalization Grants for Drinking Water State Revolving Fund	\$6,737,750	140129

2. Additional Loan funding in the amount of \$3,158,750, excluding Capitalized Interest, is hereby awarded to the Project Sponsor.

3. An interest rate of 2.65 percent per annum is established for the additional financing amount awarded in this amendment; however, if this amendment is not executed by the Project Sponsor and returned to the Department before July 1, 2006, the interest rate may be adjusted.

4. The estimated principal amount of the Loan is hereby revised to \$6,622,250, which consists of \$6,533,750 authorized for disbursement to the Project Sponsor and \$88,500 of Capitalized Interest. This total consists of the following:

(a) \$3,442,400, including \$3,375,000 authorized for disbursement to the Project Sponsor and \$67,400 of Capitalized Interest, at an interest rate of 2.67 percent per annum; and

(b) \$3,179,850, including \$3,158,750 authorized for disbursement to the Project Sponsor and \$21,100 of Capitalized Interest, at an interest rate of 2.65 percent per annum.

5. An additional Loan Service Fee in the amount of \$63,175, for a total of \$130,675, is hereby assessed. The fee represents two percent of the Loan amount excluding Capitalized Interest; that is, two percent of \$6,533,750. Estimated Loan Service Fee Capitalized Interest for the fee amount assessed to date is \$3,560.

6. The Semiannual Loan Payment amount is hereby revised and shall be in the amount of \$218,911. Such payments shall be received by the Department on July 15, 2007 and semiannually thereafter on January 15 and July 15 of each year until all amounts due hereunder have been fully paid. Until this Agreement is further amended, each Semiannual Loan Payment will be proportionally applied, after deduction of the Loan Service Fee is complete, toward repayment of the amounts owed on each incremental Loan amount at the date such payment is due.

The Semiannual Loan Payment amount is based on the total amount owed of \$6,756,485, which consists of the Loan principal plus the Loan Service Fee with its capitalized interest (if any).

7. The Project Sponsor and the Department acknowledge that the actual Project costs have not been determined as of the effective date of this Agreement. Project cost adjustments may be made as a result of construction bidding or mutually agreed upon Project changes. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for this Project, the costs funded by such other governmental assistance will not be financed by this Loan. The Department shall establish the final costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit. The Project Sponsor agrees to the following estimates of Project costs:

(1) Estimated Financial Assistance for Preconstruction Activities Allowances:

Category	Total (\$)	Grant (\$)	Loan (\$)
Administrative Allowance	55,803	10,200	45,603
Planning Allowance	66,300	66,300	0
Engineering Allowance	595,235	127,500	467,735
Total	717,338	204,000	513,338

Additional financial assistance is provided for the administrative and engineering allowances in accordance with Chapter 62-552, Florida Administrative Code. That chapter prohibits additional financial assistance for the planning allowance. Grant funding is provided for 85 percent of the administrative and engineering allowances; Loan financing is provided for the remainder.

(2) Estimated Construction Related Costs:

Construction and Demolition	\$	8,273,224
Contingencies		827,322
Technical Services During Construction		200,000
Total	\$	9,300,546

(3) Financial Assistance Authorized to Date:

Category	Total(\$)	Grant(\$)	Loan(\$)
Administrative Allowance	55,803	10,200	45,603
Planning Allowance	66,300	66,300	0
Engineering Allowance	595,235	127,500	467,735
Construction and Demolition	5,291,284	0	5,291,284
Contingencies	529,128	0	529,128
Technical Services	200,000	0	200,000
Subtotal (Disbursable Amount)	6,737,750	204,000	6,533,750
Capitalized Interest	--	--	88,500
Total Loan Principal	--	--	6,622,250

Grant funding for Construction Related Costs shall not exceed 85 percent of the allowable costs.

(4) Summary of Financial Assistance Authorized to Date (Excluding Capitalized Interest):

	Total (\$)	Grant (\$)	Loan (\$)
Original Agreement	204,000	204,000	0
Amendment 1	3,375,000	0	3,375,000
Amendment 2	3,158,750		3,158,750
Total	6,737,750	204,000	6,533,750

8. All other terms and provisions of the Agreement shall remain in effect.

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This Amendment 2 to Financial Assistance Agreement DW1801 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Financial Assistance Agreement to be executed on its behalf by the Director and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Director.

for
CITY OF FLAGLER BEACH

Alice M. Baker
Mayor

Attest

I attest that this amendment complies with
Section 2.02 of the Agreement and as to form
and correctness.

Angela M. Apperson
City Clerk

[Signature]
City Attorney

SEAL

for
STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Memie Durr
Director

JUN 05 2006
Date

Project DW1801010 Sponsor FLAGLER BEACH
File For: AGREEMENT - LEAF

**DRINKING WATER STATE REVOLVING FUND
AMENDMENT 3 TO FINANCIAL ASSISTANCE AGREEMENT DW1801 010
CITY OF FLAGLER BEACH**

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and the CITY OF FLAGLER BEACH, FLORIDA, (Project Sponsor) existing as a local government agency under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Financial Assistance Agreement, Number DW1801 010, as amended, authorizing a Grant amount of \$204,000 and a Loan amount of \$6,533,750, excluding Capitalized Interest; and

WHEREAS, the Project Sponsor is entitled to additional financing of Loan funds in amount \$3,280,134, excluding Capitalized Interest; and

WHEREAS, revised provisions for audit and monitoring are needed; and

WHEREAS, an interest rate must be established for the additional Loan financing awarded in this amendment; and

WHEREAS, a Loan Service Fee must be assessed for the additional Loan financing; and

WHEREAS, the Semiannual Loan Payment amount needs revision to reflect adjustment in the Loan amount; and

WHEREAS, the Project costs need revision to reflect adjusted estimates; and

WHEREAS, the definition of Project needs revision to include the contracts which have been awarded.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subsection 1.01(14) of the Agreement, as amended, is deleted and replaced as follows:

“Project” shall mean the works financed by this amendment and future amendments consisting of furnishing all labor, materials, and equipment to construct the water treatment facilities in accordance with the plans and specifications accepted by the Department for the following contracts:

- (a) “Water Treatment Plant Expansion Part A”; and
- (b) “Water & Concrete Mains Part B”; and
- (c) “Water Supply Wells Part C”.

The Project is in agreement with the “City of Flagler Beach Water Facilities Plan”. Approval of this Project is provided by the Florida Categorical Exclusion Notification dated April 11, 2003. The Project is an Equivalency Project as defined in Chapter 62-552, Florida Administrative Code.

2. Subsections 2.03(1), as amended, and (3)(a)(i) of the Agreement are deleted and replaced as follows:

(1) The financial assistance authorized pursuant to this Loan Agreement consists of following:

Federal Resources, Including State Match, Awarded to the Recipient Pursuant to this Agreement Consist of the Following:					
Federal Program Number	Federal Agency	CFDA Number	CFDA Title	Funding Amount	State Appropriation Category
FS984522-060	EPA	66.468	Capitalization Grants for Drinking Water State Revolving Fund	\$10,017,884	140129

(3) Report Submission.

(a) Copies of reporting packages for audits conducted in accordance with OMB Circular A-133, as revised, and required by Subsection 2.03(2) of this Agreement shall be submitted, when required by Section .320 (d), OMB Circular A-133, as revised, by or on behalf of the Project Sponsor directly to each of the following:

(i) The Department of Environmental Protection at each of the following addresses:

Don W. Berryhill, P.E., Chief
 Bureau of Water Facilities Funding
 Florida Department of Environmental Protection
 2600 Blair Stone Road, MS 3505
 Tallahassee, Florida 32399-2400

Joe Aita, Audit Director
 Office of the Inspector General
 Florida Department of Environmental Protection
 3900 Commonwealth Boulevard, MS 41
 Tallahassee, Florida 32399-3123

3. Additional Loan financing in the amount of \$3,280,134, excluding Capitalized Interest, is hereby awarded to the Project Sponsor.
4. An interest rate of 2.64 percent per annum is established for the additional Loan financing amount awarded in this amendment; however, if this amendment is not executed by the Project Sponsor and returned to the Department before October 1, 2007, the interest rate may be adjusted.
5. The estimated principal amount of the Loan is hereby revised to \$9,823,718, which consists of \$9,813,884 authorized for disbursement to the Project Sponsor and \$9,834 of Capitalized Interest. This total consists of the following:
- (a) Amendment 1 of \$3,384,834, including \$3,375,000 authorized for disbursement to the Project Sponsor and \$9,834 of Capitalized Interest, at an interest rate of 2.67 percent per annum; and
- (b) Amendment 2 of \$3,158,750, authorized for disbursement to the Project Sponsor, at an interest rate of 2.65 percent per annum; and

(c) Amendment 3 of \$3,280,134, authorized for disbursement to the Project Sponsor, at an interest rate of 2.64 percent per annum.

The estimated principal does not reflect payments received to date.

6. An additional Loan Service Fee in the amount of \$65,603, for a total of \$196,278, is hereby assessed. The fee represents two percent of the Loan amount; that is, two percent of \$9,813,884. The unpaid balance of \$65,603 and associated interest will be deducted from the first Semiannual Loan Payment after the effective date of this amendment.
7. The Semiannual Loan Payment amount, adjusted to account for repayments received to date, is hereby revised and shall be in the amount of \$324,566. Such payments shall be received by the Department on January 15, 2008 and semiannually thereafter on July 15 and January 15 of each year until all amounts due hereunder have been fully paid. Until this Agreement is further amended, each Semiannual Loan Payment will be proportionally applied, after deduction of the Loan Service Fee is complete, toward repayment of the amounts owed on each incremental Loan amount at the date such payment is due.
8. The Project Sponsor and the Department acknowledge that the actual cost of the Project has not been determined. Project cost adjustments may be made as a result of construction bidding or mutually agreed upon Project changes. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for the Project, the costs funded by such governmental assistance will not be funded by this Grant or Loan. The Department shall establish the final Project costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit.

Funds disbursed in accordance with this Agreement shall be disbursed in the order in which they have been obligated without respect to budgetary line item estimates. Disbursements of Loan proceeds shall be made from the original Loan amount until that amount has been disbursed; the interest rate established for the original Loan amount shall apply to such disbursements for the purpose of determining the associated Capitalized Interest and repayment amounts. The interest rate established for any additional increment of Loan financing shall be used to determine the Capitalized Interest and repayment amounts associated with the funds disbursed from that increment.

The estimated Project costs and a breakdown of financial assistance awarded to date follow.

(1) Estimated Construction Related Costs:

Construction and Demolition	\$ 8,273,224
Contingencies	827,322
Technical Services After Bid Opening	200,000
Total	\$ 9,300,546

(2) Financial Assistance for Estimated Preconstruction Activities Allowances:

Category	Total (\$)	Grant (\$)	Loan (\$)
Administrative Allowance	55,803	10,200	45,603
Planning Allowance	66,300	66,300	0
Engineering Allowance	595,235	127,500	467,735
Total	717,338	204,000	513,338

(3) Breakdown of Financial Assistance Authorized to Date:

Category	Total(\$)	Grant(\$)	Loan(\$)
Preconstruction Activities Allowances	717,338	204,000	513,338
Construction Related Costs	9,300,546	0	9,300,546
Subtotal (Disbursable Amount)	10,017,884	204,000	9,813,884
Capitalized Interest	--	--	9,834
Total Loan Principal	--	--	9,823,718

Grant funding for Construction Related Costs shall not exceed 85 percent of the eligible costs.

(4) Summary of Financial Assistance Authorized to Date (Excluding Capitalized Interest):

	Total(\$)	Grant(\$)	Loan(\$)
Original Agreement	204,000	204,000	0
Amendment 1	3,375,000	0	3,375,000
Amendment 2	3,158,750	0	3,158,750
Amendment 2	3,280,134	0	3,280,134
Total to Date	10,017,884	204,000	9,813,884

9. Section 10.09, SPECIAL CONDITIONS, is added to the Agreement as follows:

As of the date of this Amendment, the Department has not received its fiscal year 2006-2007 federal capitalization grant award. In order to prevent the loss of authority to issue your SRF Amendment, the funds must be under contract before January 31, 2008. However, no disbursements may be made for this award until the state's allocation from EPA has been received. The Department will notify the Local Government when funding is available.

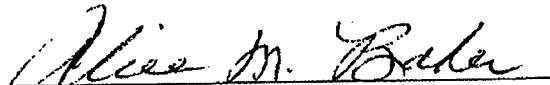
10. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 3 to Financial Assistance Agreement DW1801 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Agreement to be executed on its behalf by the Deputy Director and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

for
CITY OF FLAGLER BEACH



Mayor

Attest

I attest that this amendment complies with
Section 2.02 of the Agreement and as to form
and correctness.



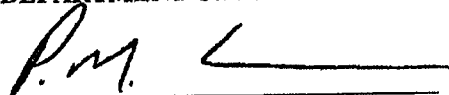
City Clerk



City Attorney

SEAL

for
STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Deputy Director
Division of Water Resource Management

JUL 30 2007

Date



ATTACHMENT 2d
Florida Department of
Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Charlie Crist
Governor

Jeff Kottkamp
Lt. Governor

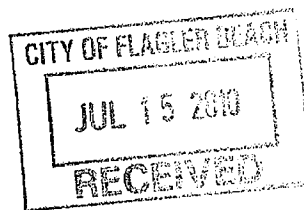
Michael W. Sole
Secretary

CERTIFIED MAIL - RETURN RECEIPT REQUIRED

JUL 12 2010

July 7, 2010

Ms. Kathleen Doyle
Finance Director
City of Flagler Beach
Post Office Box 70
Flagler Beach, Florida 32136



Re: DW1801 010 - Flagler Beach
Source, Transmission and Treatment

Dear Ms. Doyle:

Enclosed is one original of Amendment 4 to your loan agreement under the State Revolving Fund program. The amendment is now in effect and no further amendments are expected. Please note that the final amendment requires a separate project close-out audit to be submitted to the Department within one year of the amendment's effective date. The audit should be sent to Cindy Bonds at the above address, Mail Station 3505.

We congratulate you and your staff on your efforts and are pleased that we can work with you on this project.

If you have any questions, please call Lekenya Beal at (850) 245-8358.

Sincerely,

Phil Coram, P.E., Deputy Director
Division of Water Resource Management

PC/lb

Enclosures

cc: Honorable Alice Baker - City of Flagler Beach

**STATE REVOLVING FUND
AMENDMENT 4 TO FINANCIAL ASSISTANCE AGREEMENT DW1801 010
CITY OF FLAGLER BEACH**

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and the CITY OF FLAGLER BEACH, FLORIDA, (Project Sponsor) existing as a local government agency under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a State Revolving Fund Financial Assistance Agreement, Number DW1801 010, as amended, authorizing a Grant amount of \$204,000 and a Loan amount of \$9,813,884, excluding Capitalized Interest; and

WHEREAS, the Loan amount and Project costs need adjustment to reflect actual costs; and,

WHEREAS, the Semiannual Loan Payment amount needs revision to reflect adjustment of the Loan amount and account for payments made to date.

WHEREAS, revised provisions for audit and monitoring along with related changes to the Project schedule are needed.

NOW, THEREFORE, the parties hereto agree as follows:

1. The total disbursed Grant amount is \$204,000.
2. The Loan amount is hereby reduced by \$2,312,136, and the adjusted total disbursed Loan amount is \$7,501,748.
3. The Loan Service Fee is \$196,278.00, and capitalized Loan Service Fee interest is \$3,747.25.
4. The total amount to repay is \$7,711,607.31, which consisted of \$7,501,748.00 disbursed to the Project Sponsor, \$200,025.25 of Loan Service Fee charges and \$9,834.06 of accrued Capitalized Interest.
5. The unpaid principal balance of the Loan is \$6,337,392.54, which amount accounts for the Department's receipt of six Semiannual Loan Payments and consists of the following:
 - (a) Amendment 1 unpaid balance of \$2,838,803.56 at an interest rate of 2.67 percent per annum.
 - (b) Amendment 2 unpaid balance of \$2,655,440.25 at an interest rate of 2.65 percent per annum.

(c) Amendment 3 unpaid balance of \$843,148.73 at an interest rate of 2.64 percent per annum.

6. Subsections 2.03 (1), (2)(d), and (3)(a)(i) of the Agreement, as amended, is deleted and replaced as follows:

(1) The financial assistance authorized pursuant to this Loan Agreement consists of the following:

Federal Resources, Including State Match, Awarded to the Recipient Pursuant to this Agreement Consist of the Following:					
Federal Program Number	Federal Agency	CFDA Number	CFDA Title	Funding Amount	State Appropriation Category
FS984522-060	EPA	66.468	Capitalization Grants for Drinking Water State Revolving Fund	\$ 7,501,748	140129

(2) Audits.

(d) The Project Sponsor may access information regarding the Catalog of Federal Domestic Assistance (CFDA) via the internet at www.cfda.gov/index?cck=1&au=&ck=.

(3) Report Submission.

(a) Copies of reporting packages for audits conducted in accordance with OMB Circular A-133, as revised, and required by Subsection 2.03(2) of this Agreement shall be submitted, when required by Section .320 (d), OMB Circular A-133, as revised, by or on behalf of the Project Sponsor directly to each of the following:

(i) The Department of Environmental Protection at each of the following addresses:

Robert E. Holmden, P.E., Chief
 Bureau of Water Facilities Funding
 Florida Department of Environmental Protection
 2600 Blair Stone Road, MS 3505
 Tallahassee, Florida 32399-2400

Joe Aita, Audit Director
 Office of the Inspector General
 Florida Department of Environmental Protection
 3900 Commonwealth Boulevard, MS 41
 Tallahassee, Florida 32399-3123

7. The Semiannual Loan Payment amount, adjusted to account for repayments received to date, is hereby revised and shall be in the amount of \$232,874.88. Such payments shall be

received by the Department on July 15, 2010 and semiannually thereafter on January 15 and July 15 of each year until all amounts due hereunder have been fully paid.

The Semiannual Loan Payment amount is based on the total amount owed of \$6,337,392.54.

8. The Project Sponsor and the Department acknowledge that changes in Project costs may occur as a result of the Project Sponsor's Project audit or a Department audit pursuant to Chapter 62-552 of the Florida Administrative Code. Unless this Agreement is amended subsequent to an audit, the following Financial Assistance disbursements for the Project shall be final.

Category	Total(\$)	Grant(\$)	Loan(\$)
Administrative Allowance	37,410	10,200	27,210
Planning Allowance	66,300	66,300	0
Engineering Allowance	409,040	127,500	281,540
Construction and Demolition	7,192,998	0	7,192,998.00
Subtotal (Disbursed Amount)	7,705,748	204,000	7,501,748.00
Capitalized Interest	--	--	9,834.06
Total Loan Principal	--	--	7,511,582.06

9. All other terms and provisions of the Loan Agreement shall remain in effect.

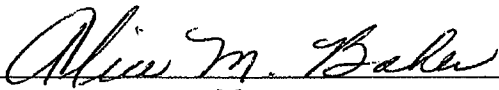
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This Amendment 4 to Loan Agreement DW1801 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Deputy Director, and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

for


CITY OF FLAGLER BEACH



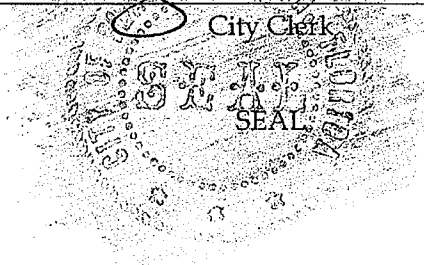
Mayor

Attest:

I attest to the opinion expressed in Section 2.02, entitled Legal Authorization.



City Clerk




The seal is circular with a decorative border. Inside the border, the words "CITY OF FLAGLER BEACH" are written around the perimeter. In the center, the word "SEAL" is prominently displayed. There are also some smaller, less legible markings and numbers within the seal.



City Attorney

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Deputy Director
Division of Water Resource Management

JUN 29 2010
Date

Attachment 3

Remaining Balance on Outstanding Capital Lease

Fiscal Year	Scheduled Payment
2021	\$ 20,187
2022	20,187
2023	5,047
Total	\$ 45,421

**City of Flagler Beach, Florida
Financial Statements
For the Year Ended
September 30, 2019**



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

City of Flagler Beach, Florida
Financial Statements
September 30, 2019

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INTRODUCTORY SECTION

ATTACHMENT 6
City of Flagler Beach, Florida
List of Principal Officials
September 30, 2019

MAYOR

HONORABLE
LINDA PROVENCHER

CHAIRPERSON

RICHARD BELHUMEUR

VICE-CHAIRPERSON

KIM CARNEY

CITY COMMISSIONERS

JANE MEALY
MARSHALL D. SHUPE
ERIC COOLEY

CITY MANAGER

LARRY M. NEWSOM

FINANCE DIRECTOR

KATHLEEN DOYLE

CITY ATTORNEY

DREW SMITH

INDEPENDENT AUDITORS

THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Commissioners, and City Manager of the City of Flagler Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Flagler Beach, Florida (City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter*Change in Accounting Principle*

As described in Note 1.E to the financial statements, in 2019, the City adopted new accounting guidance, *GASB Statement No. 83, Certain Asset Retirement Obligations* and *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

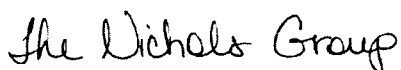
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 - 12 and 54-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



The Nichols Group, P.A.
Certified Public Accountants
Fleming Island, Florida

June 30, 2020

Management's Discussion and Analysis (Unaudited)

As management of the City of Flagler Beach, Florida (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$48,169,765 (net position).
- The City's total net position increased overall by \$3,433,039 or 7.67%, of which \$2,783,150 was from business type activities, while net position of governmental activities increased by \$649,889.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,226,972, an increase of \$1,109,880 or 18.14% in comparison with the prior year. This represents an increase of \$83,126 or 64.43%, in the CRA fund; General Fund Balance increased 17.15%, or \$1,026,754.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,235,355 or 90.25% of total General Fund expenditures.
- The City's total long-term liabilities decreased by \$529,831. The liabilities consist of compensated absences, State Revolving Fund Loan for the water treatment plant, 2015 Refunding Revenue Notes for CRA District Improvements and Stormwater Improvements, capital leases; Other Postemployment Benefits (OPEB), and net pension liability of the Municipal Police Officers' Pension Trust Fund Plan.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements.

The City's basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected utility taxes or earned but unsecured vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, roads and streets, physical environment, and culture/recreation. The

business-type activities of the City include water and sewer, sanitation, stormwater and pier. The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable *resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities which can be found on pages 16 and 18.

The City maintains two individual governmental funds: General and Community Redevelopment Funds. Information is presented separately in the governmental fund Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds. The basic governmental fund financial statements can be found in this report on pages 15 and 17.

The City adopts an annual appropriated budget for its General Fund and Community Redevelopment Fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget and can be found on pages 54 and 55.

Proprietary funds. The City maintains one type of proprietary fund, which is an enterprise fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, sanitation, stormwater, and pier activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Sanitation, Stormwater, and Pier Funds, all of which are considered major funds, except for the Pier Fund, which is a non-major fund. The basic proprietary fund financial statements can be found in this report on pages 19 through 21.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found within this report on pages 22 and 23.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found within this report on pages 24 through 53.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for the Municipal Police Officers'

Pension Trust Fund, the Municipal Firefighters' Pension Trust Fund, and the budget versus actual schedule for the General Fund and Community Redevelopment Fund.

Government-wide Financial Analysis

As noted earlier, net position might serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$48,169,765 at the close of the most recent fiscal year compared to \$44,736,726 for the prior year. The City's net position increased by \$3,433,039 for the fiscal year ended September 30, 2019.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, land improvements, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Flagler Beach's Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 7,994,144	\$ 7,026,960	\$ 11,122,329	\$ 9,411,460	\$ 19,116,473	\$ 16,438,420
Capital assets	9,060,055	9,557,199	26,907,825	26,390,973	35,967,880	35,948,172
Total assets	17,054,199	16,584,159	38,030,154	35,802,433	55,084,353	52,386,592
Deferred outflows of resources	729,457	493,733	-	-	729,457	493,733
Long-term liabilities outstanding	1,311,328	1,250,006	4,898,929	5,490,082	6,210,257	6,740,088
Other liabilities	466,424	502,399	628,359	592,635	1,094,783	1,095,034
Total liabilities	1,777,752	1,752,405	5,527,288	6,082,717	7,305,040	7,835,122
Deferred inflows of resources	339,005	308,477	-	-	339,005	308,477
Net position:						
Net investment in capital assets	8,391,866	8,827,536	22,224,520	21,107,387	30,616,386	29,934,923
Restricted	1,260,448	1,042,969	4,122,073	3,693,485	5,382,521	4,736,454
Unrestricted	6,014,585	5,146,505	6,156,273	4,918,844	12,170,858	10,065,349
Total net position	\$15,666,899	\$15,017,010	\$ 32,502,866	\$ 29,719,716	\$ 48,169,765	\$ 44,736,726

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the City's net position by \$649,889. The increase over last year is primarily attributable to decreased expenses as a result of less hurricane damage than in the prior year.

Overall, revenues in governmental activities increased by \$190,672 or 2.76%; whereas expenses decreased by \$152,909 or 2.32% when compared to last year's balances. The increase in revenues was due to the sale of city owned property slight increases in ad valorem, sales, franchise and utility taxes. However, since we only sold two of the three lots, the gain was less than what we expected and compounded by a shortfall on permit revenues.

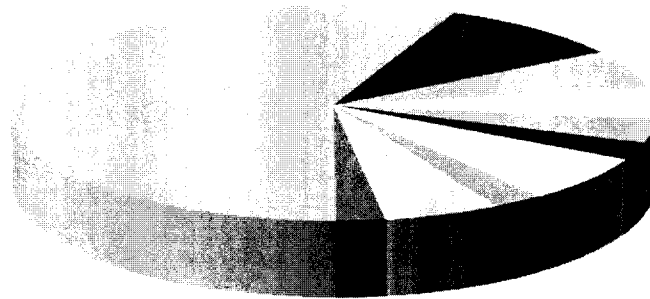
ATTACHMENT 6

City of Flagler Beach's Change in Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 425,312	\$ 574,596	\$ 6,336,816	\$ 5,721,726	\$ 6,762,128	\$ 6,296,322
Operating grants and contributions	257,820	257,199	414,384	1,260,160	672,204	1,517,359
Capital grants and contributions	416,389	723,447	715,096	484,619	1,131,485	1,208,066
General revenues:						
Property taxes	3,592,605	3,399,077	-	-	3,592,605	3,399,077
Sales taxes	459,792	446,726	-	-	459,792	446,726
Franchise and utility taxes	1,203,285	1,167,516	-	-	1,203,285	1,167,516
Impact fees	-	-	263,073	215,977	263,073	215,977
Intergovernmental revenue	113,411	109,803	-	-	113,411	109,803
Unrestricted investment earnings	165,034	44,678	281,817	89,520	446,851	134,198
Gain (loss) on disposal of capital assets	-	-	9,046	-	9,046	-
Other miscellaneous	464,666	184,600	-	-	464,666	184,600
Total revenues	7,098,314	6,907,642	8,020,232	7,772,002	15,118,546	14,679,644
Expenses:						
General government	2,327,277	2,731,591	-	-	2,327,277	2,731,591
Public safety	3,021,618	2,882,840	-	-	3,021,618	2,882,840
Roads and streets	397,147	399,410	-	-	397,147	399,410
Physical environment	102,706	75,617	-	-	102,706	75,617
Culture/recreation	580,688	492,248	-	-	580,688	492,248
Interest on long-term debt	18,989	19,628	-	-	18,989	19,628
Water and sewer	-	-	3,251,307	3,168,208	3,251,307	3,168,208
Sanitation	-	-	1,170,204	1,451,762	1,170,204	1,451,762
Stormwater	-	-	271,260	254,747	271,260	254,747
Pier	-	-	544,311	514,843	544,311	514,843
Total expenses	6,448,425	6,601,334	5,237,082	5,389,560	11,685,507	11,990,894
Increase (decrease) in net position before transfers	649,889	306,308	2,783,150	2,382,442	3,433,039	2,688,750
Increase (decrease) in net position	649,889	306,308	2,783,150	2,382,442	3,433,039	2,688,750
Net position-beginning of year, as previously reported	15,017,010	14,735,420	29,719,716	27,354,046	44,736,726	42,089,466
Prior period adjustment	-	(24,718)	-	(16,772)	-	(41,490)
Net position- beginning of year, as restated	15,017,010	14,710,702	29,719,716	27,337,274	44,736,726	42,047,976
Net position - end of year	\$ 15,666,899	\$ 15,017,010	\$ 32,502,866	\$ 29,719,716	\$ 48,169,765	\$ 44,736,726

Revenues by Source - Governmental Activities

Property Tax	50.61%	Capital Grants	5.87%
■ Utility Service Tax	9.86%	Charges for Services & Fees	5.99%
Franchise Tax	4.51%	Operating Grants	3.63%
■ Community Services Tax	2.59%	Miscellaneous	6.55%
Infrastructure Surtax	2.51%	Local Half Cent Sales Tax	2.44%
State Revenue Sharing	1.49%	Local Option Gas Tax	1.53%
⊗ Unrestricted Investment Earnings	2.32%	Intergovernmental	0.11%



Business-type activities. Business-type activities increased the City's net position by \$2,783,150. Key elements of this increase are as follows:

- Continued increases to water, sewer and stormwater base fees to build reserves for capital infrastructure improvements
- Collection of reimbursements from Hurricane Irma
- Positive gains on investments

The overall revenues in business-type activities increased by \$248,230 or 3.19%. The expenses decreased by \$152,478 or .03%.

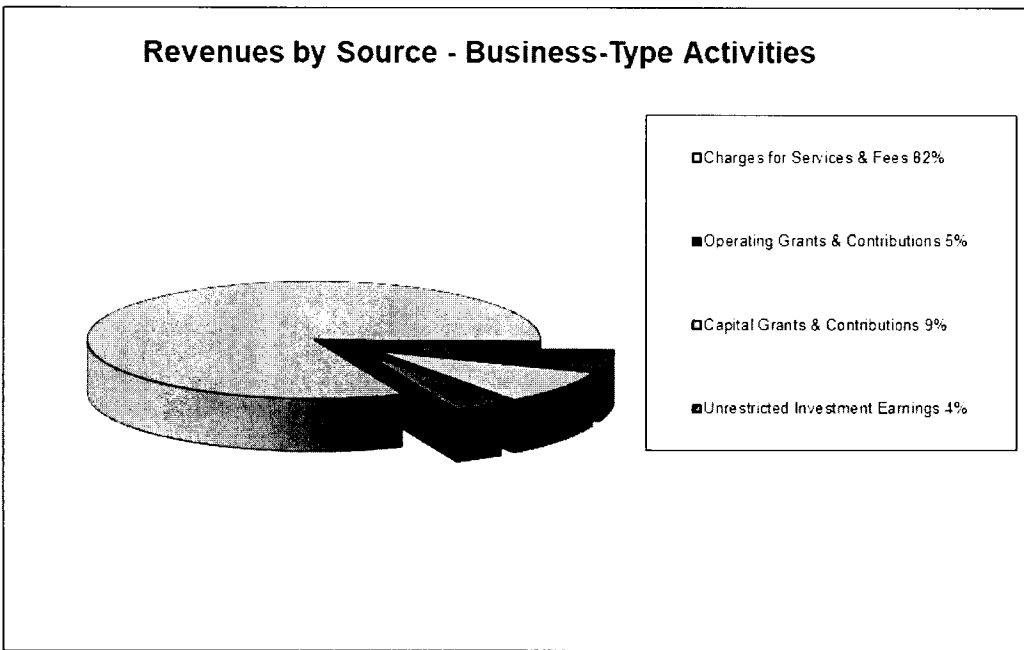
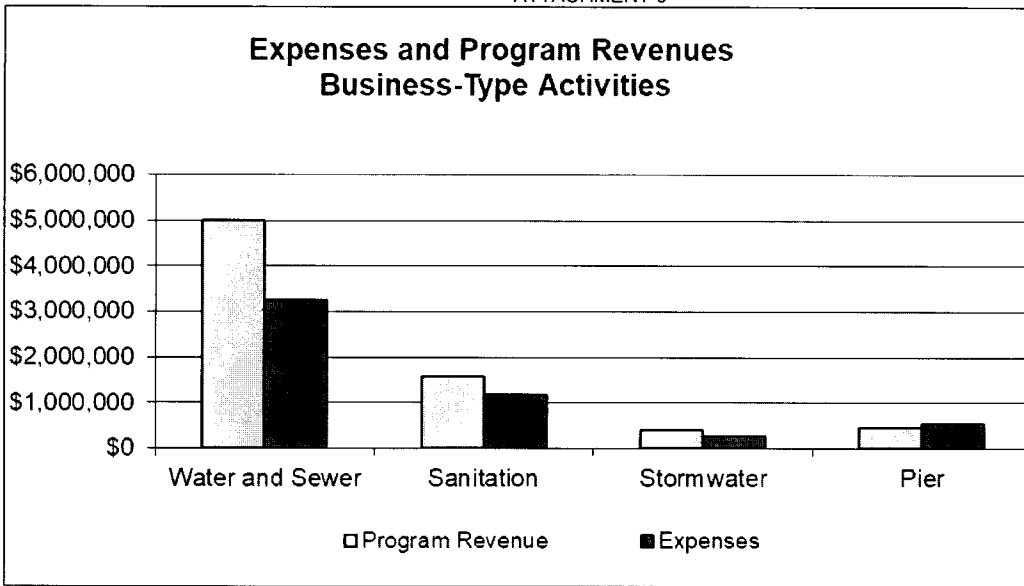
Financial Analysis of the City's Funds

As noted earlier, the City used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,226,972, an increase of \$1,109,880 in comparison with prior year. 72% of the total amount, or \$5,235,355 constitutes *unassigned fund balance* in the General Fund, which is available for spending at the government's discretion. The Community Redevelopment Fund has an *unassigned fund balance* of \$204,239. The CRA receives TIF (Tax Incremental Funding) from the City of Flagler Beach and Flagler County annually. Property values continue to climb and, barring any unforeseen circumstances, the fund balance for the CRA will remain positive by the end of September 2020. The remainder of the fund balances in the governmental funds, consisting of the following, is not available for new spending because it has already been designated *Nonspendable* – Prepaid amounts of \$3,040; *Restricted* items of \$1,056,209 including Infrastructure and Capital Assets and A1A Land Purchases of \$1,004,314; *Committed* for Encumbrances \$228,741; *Assigned* for encumbrances \$491,488 including \$231,759 for the future purchase of a fire truck (slated for 2020-2021) and \$233,334 for the purchase of radios.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,235,355 while the total fund balance reached \$7,014,833. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 90.25% of the total General Fund expenditures, while total fund balance represents 120.93% of General Fund expenditures.

Proprietary funds. The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer, Sanitation, Stormwater and Pier Funds at the end of the year amounted to \$4,331,378; \$1,615,898; \$304,632, and \$(95,635), respectively. The total increase (decrease) in unrestricted net position was \$2,225,624; \$447,229; \$152,714, and \$(71,877), respectively. The decrease in the Pier Enterprise Fund is an improvement over last year's position of \$(160,187) due to some reimbursement from FEMA and the Pier and Bait Shop being operational for the entire year.



General Fund Budgetary Highlights

The Budgetary Comparison Schedule for the General Fund found on page 54 of the Required Supplementary Information shows the differences between the original budget, the final amended budget and actual amounts.

Revenues were \$821,066 less than the final budget. The City budgeted \$750,000 in Intergovernmental Revenues in anticipation of completing the dune walkovers that were destroyed or damaged during Hurricane Matthew. Unfortunately, the FDOT project on SR A1A slowed down the process, so at year end we were not complete and could not draw down the funds. The City was able to keep expenditures under budget by \$2,178,679 when compared to the amended budget. The net result was an increase of \$1,026,754 to the fund balance for the General Fund.

Capital assets. The City's investment in capital assets for its governmental and business-type assets as of September 30, 2019, amounts to \$35,967,880. This investment in capital assets includes land and land improvements, buildings, improvements other than buildings, equipment,

construction in progress, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 0.05%.

City of Flagler Beach's Capital Assets

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land and land improvements	\$ 2,167,123	\$ 2,167,123	\$ 1,648,235	\$ 1,648,235	\$ 3,815,358	\$ 3,815,358
Buildings	3,028,114	2,980,691	12,132,799	11,641,724	15,160,913	14,622,415
Improvements other than buildings	2,425,592	2,345,932	20,661,940	20,220,048	23,087,532	22,565,980
Equipment	3,285,596	3,238,485	3,970,018	3,085,361	7,255,614	6,323,846
Construction in progress	45,760	45,760	253,781	748,324	299,541	794,084
Infrastructure	5,933,302	5,880,325	4,648,698	4,648,698	10,582,000	10,529,023
Less accumulated depreciation	(7,825,432)	(7,101,117)	(16,407,646)	(15,601,417)	(24,233,078)	(22,702,534)
Total	\$ 9,060,055	\$ 9,557,199	\$ 26,907,825	\$ 26,390,973	\$ 35,967,880	\$ 35,948,172

Additional information on the City's capital assets can be found within this report.

Long-term liabilities. At the end of the fiscal year, the City had total long-term liabilities in the amount of \$6,210,257, of which \$603,498 is due within one year.

The governmental activities' long-term liabilities amount to \$1,311,328 and consist of the Community Redevelopment 2015 Refunding Revenue Note, compensated absences, portion of the BackHoe Loader capital lease, OPEB, and net pension liability of the Municipal Police Officers' Pension Trust Fund.

The business-type activities' long-term liabilities amount to \$4,898,929, which includes the State Revolving Fund Loan for the water treatment plant, Stormwater 2015 Refunding Revenue Note, compensated absences, utility and stormwater's portion of the BackHoe Loader capital lease, the capital lease for the sanitation trucks and OPEB.

Economic Factors and Next Year's Budgets and Rates

- Property values improved for budget year 2019-20 and the mil rate was set at 5.571.
- Development has begun on John Anderson Corridor, which is located in Unincorporated Flagler County; the City provides water and sewer to this area per an Interlocal Agreement with the County. Early estimates of development indicate that several thousand living units will be built over the coming years. During 2018-19, several capital projects for both the Water and Waste Water Plants were started and will span over the next several years to ensure we have the facilities operating at the needed capacities to provide proper service.
- Water and Sewer Base Fee increases will still be needed to support City's aging infrastructure.
- Sanitation Fees will be reviewed to insure rates are adequate with increased use of our area restaurants, beaches and vacation rental units.
- Stormwater Fees will be increased to continue improvements and maintain current infrastructure.

All of these factors were considered when the City prepared the budget for fiscal year 2019-20.

When the property tax value estimates for the 2019-20 budget were received on June 1, 2019, we were pleased to see an increase of over 10% to taxable property values.

The use of current revenues and available reserved fund balance for ongoing projects allowed the City to adjust the millage rate to 5.571 for the 2019-20 fiscal year budget. This was an increase of 0.181 mills or 18.1 cents per \$1,000 of taxable value.

At the end of 2018-19 fiscal year, the fund balance in the General Fund increased to \$7,014,833. All appropriations lapsed at year end. The City of Flagler Beach encumbered \$228,741 from the

2018-19 General Fund budget into the 2019-20 budget to continue projects that were underway in this audited period.

The City of Flagler Beach encumbered \$2,213,948 from the 2018-19 Enterprise Funds into the 2019-20 Budget; this was offset by \$920,550 in grants that were applicable to the projects encumbered. Net position for the Enterprise Funds increased by \$2,783,150 for the fiscal year ended September 30, 2019.

The state of our local economy and the condition of unrestricted reserves in the Utility and Stormwater Funds were considered in preparing the City's budget for fiscal year 2019-20.

The City of Flagler Beach entered an interlocal agreement with Flagler County in 2006, which determined the area that the City would be responsible for providing water and sewer service to outside of the City Limits of Flagler Beach. The area is located on the west side of the Intracoastal Waterway and south of State Road 100 officially known as the John Anderson Service Area. The City can collect the same water and utility fees it charges to the residents of Flagler Beach. Currently, one development with approximately 100 residences is underway. A second development with a 20-year growth plan is anticipated to begin in 2020. This development would contain 541 single family residential units, 3,425 multi-family units and 510,000 square feet of commercial and office space. In anticipation of the impact on our Wastewater Treatment Plant, built in 1975, a Wastewater Facility Plan was adopted in 2018-19 to access the needs of the plant based on the impact of the projected growth. The City has applied for an SRF design loan in the amount of \$800,000 for our Wastewater Plant. We will also pursue a loan through the SRF for the improvements needed once the final plan is conceived.

The City secured two grants for \$500,000 from the Saint John's River Water Management District. One for a Stormwater Swale Project on the south end of town. A second \$500,000 grant has been secured to offset the cost of completing the City Sliplining Project.

The City increased Water and Sewer Base fees in the Utility Fund by 12.5%; the Stormwater fee was increased by 12.77% per ERU for the 2019-20 Enterprise Fund Budget. Increases for Base Fees will continue into the future to support the needed repairs and replacement of aging infrastructure and increase Utility and Stormwater Reserves.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Flagler Beach, Finance Department Director, 105 South Second Street, Flagler Beach, FL 32136.

ATTACHMENT 6
City of Flagler Beach, Florida
Statement of Net Position
September 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,939,793	\$ 2,512,620	\$ 6,452,413
Investments	2,930,318	2,853,854	5,784,172
Accounts receivable, net of allowance □	152,225	735,917	888,142
Due from other governments	479,427	575,719	1,055,146
Internal balances	180,333	(180,333)	-
Prepays and other assets	3,040	115,975	119,015
Restricted cash and cash equivalents	-	386,504	386,504
Restricted investments	-	4,122,073	4,122,073
Net pension asset	309,008	-	309,008
Capital assets:			
Land and land improvements	2,167,123	1,648,235	3,815,358
Construction in progress	45,760	253,781	299,541
Buildings	3,028,114	12,132,799	15,160,913
Improvements other than buildings	2,425,592	20,661,940	23,087,532
Equipment	3,285,596	3,970,018	7,255,614
Infrastructure	5,933,302	4,648,698	10,582,000
Accumulated depreciation	(7,825,432)	(16,407,646)	(24,233,078)
Total assets	<u>17,054,199</u>	<u>38,030,154</u>	<u>55,084,353</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions	<u>729,457</u>	<u>-</u>	<u>729,457</u>
LIABILITIES			
Accounts payable and accrued liabilities	400,153	394,138	794,291
Unearned revenues	58,011	-	58,011
Customer deposits	-	216,571	216,571
Accrued interest payable	8,260	17,650	25,910
Non-current liabilities:			
Due within one year	73,362	530,136	603,498
Due in more than one year	<u>1,237,966</u>	<u>4,368,793</u>	<u>5,606,759</u>
Total liabilities	<u>1,777,752</u>	<u>5,527,288</u>	<u>7,305,040</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Contributions	339,005	-	339,005
NET POSITION			
Net investment in capital assets	8,391,866	22,224,520	30,616,386
Restricted for:			
Infrastructure and capital assets	1,004,314	4,122,073	5,126,387
Law enforcement	12,102	-	12,102
Building code administration and education	39,793	-	39,793
Community redevelopment	204,239	-	204,239
Unrestricted	<u>6,014,585</u>	<u>6,156,273</u>	<u>12,170,858</u>
Total net position	<u>\$ 15,666,899</u>	<u>\$ 32,502,866</u>	<u>\$ 48,169,765</u>

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Statement of Activities
For the Year Ended September 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary Government:							
Governmental activities:							
General government	\$ 2,327,277	\$ 338,971	\$ -	\$ 391,389	\$ (1,596,917)	\$ -	\$ (1,596,917)
Public safety	3,021,618	49,547	174,750	-	(2,797,321)	-	(2,797,321)
Roads and streets	397,147	-	83,070	-	(314,077)	-	(314,077)
Physical environment	102,706	-	-	-	(102,706)	-	(102,706)
Culture/recreation	580,688	36,794	-	25,000	(518,894)	-	(518,894)
Interest	18,989	-	-	-	(18,989)	-	(18,989)
Total governmental activities	6,448,425	425,312	257,820	416,389	(5,348,904)	-	(5,348,904)
Business-type activities							
Water and sewer	3,251,307	4,346,585	-	651,430	-	1,746,708	1,746,708
Sanitation	1,170,204	1,161,038	414,384	-	-	405,218	405,218
Stormwater	271,260	420,427	-	-	-	149,167	149,167
Pier	544,311	408,766	-	63,666	-	(71,879)	(71,879)
Total business-type activities	5,237,082	6,336,816	414,384	715,096	-	2,229,214	2,229,214
Total primary government	\$ 11,685,507	\$ 6,762,128	\$ 672,204	\$ 1,131,485	(5,348,904)	2,229,214	(3,119,690)
General Revenues:							
Property taxes					3,592,605	-	3,592,605
Franchise fees					319,836	-	319,836
Impact fees					-	263,073	263,073
Utility service taxes					699,693	-	699,693
Communication services tax					183,756	-	183,756
Infrastructure surtax					177,888	-	177,888
Local half-cent sales tax					173,025	-	173,025
Local option gas tax					108,879	-	108,879
State revenue sharing proceeds					105,728	-	105,728
Intergovernmental					7,683	-	7,683
Unrestricted investment earnings					165,034	281,817	446,851
Miscellaneous					464,666	-	464,666
Gain (loss) on disposal of capital assets					-	9,046	9,046
Total general revenues and transfers					5,998,793	553,936	6,552,729
Changes in net position					649,889	2,783,150	3,433,039
Net position - beginning of year					15,017,010	29,719,716	44,736,726
Net position - end of year					\$ 15,666,899	\$ 32,502,866	\$ 48,169,765

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Balance Sheet
Governmental Funds
September 30, 2019

	<u>General</u>	<u>Community Redevelopment</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,636,489	\$ 303,304	\$ 3,939,793
Investments	2,930,318	-	2,930,318
Accounts receivable, net of allowance	152,225	-	152,225
Due from other funds	264,271	-	264,271
Due from other governments	479,427	-	479,427
Prepays	3,040	-	3,040
Total assets	<u>\$ 7,465,770</u>	<u>\$ 303,304</u>	<u>\$ 7,769,074</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 242,328	\$ 7,227	\$ 249,555
Accrued personal services	150,598	-	150,598
Deferred revenue	58,011	-	58,011
Due to other funds	-	83,938	83,938
Total liabilities	<u>450,937</u>	<u>91,165</u>	<u>542,102</u>
Fund balances:			
Nonspendable:			
Prepays	3,040	-	3,040
Restricted:			
Police training	7,877	-	7,877
Special law enforcement	71	-	71
Law enforcement automation	4,154	-	4,154
A1A land purchases	18,490	-	18,490
Infrastructure and capital assets	985,824	-	985,824
Building inspector education	36,739	-	36,739
Building Code Administration Fund	3,054	-	3,054
Committed:			
Software training	900	-	900
Professional services	88,677	-	88,677
Building improvements	139,164	-	139,164
Landscaping improvements	-	7,900	7,900
Assigned:			
Fire truck	231,759	-	231,759
Beach related purchases	26,395	-	26,395
Radios	233,334	-	233,334
Computer hardware	-	-	-
Community redevelopment projects	-	204,239	204,239
Unassigned	<u>5,235,355</u>	<u>-</u>	<u>5,235,355</u>
Total fund balances	<u>7,014,833</u>	<u>212,139</u>	<u>7,226,972</u>
Total liabilities and fund balances	<u>\$ 7,465,770</u>	<u>\$ 303,304</u>	<u>\$ 7,769,074</u>

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2019

Fund balances - governmental funds \$ 7,226,972

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	16,885,487	
Accumulated depreciation	<u>(7,825,432)</u>	
		9,060,055

Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds Balance Sheet.

(8,260)

The cumulative effect of overfunding/underfunding the actuarially required contributions to a pension fund or OPEB fund does not represent a financial asset/liability in the governmental funds. In the Statement of Net Position, which is presented on the accrual basis, an asset or liability is reported since the adjustment to expense is fully recognized in the Statement of Activities.

Net pension asset	309,008	
Net pension liability	(276,687)	
Deferred outflows - Contributions	729,457	
Deferred inflows - Contributions	(339,005)	
Other postemployment benefits liability	<u>(231,384)</u>	
		191,389

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as governmental fund liabilities.

Notes payable	(653,000)	
Capital leases payable	(15,189)	
Compensated absences	<u>(135,068)</u>	
		<u>(803,257)</u>

Net position of governmental activities \$ 15,666,899

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	<u>General</u>	<u>Community Redevelopment</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 4,383,040	\$ 270,903	\$ 4,653,943
Franchise fees	319,836	-	319,836
Licenses and permits	328,701	-	328,701
Intergovernmental	552,059	-	552,059
Charges for services	46,404	-	46,404
Fines and forfeitures	50,207	-	50,207
Grants and donations	518,639	-	518,639
Investment earnings	163,860	-	163,860
Miscellaneous	464,666	-	464,666
Total revenues	<u>6,827,412</u>	<u>270,903</u>	<u>7,098,315</u>
EXPENDITURES			
Current:			
General government	1,852,586	-	1,852,586
Public safety	2,769,135	-	2,769,135
Roads and streets	375,619	-	375,619
Physical environment	-	102,705	102,705
Culture/recreation	503,025	-	503,025
Debt service:			
Principal	4,474	57,000	61,474
Interest	573	19,137	19,710
Capital outlay	295,246	8,935	304,181
Total expenditures	<u>5,800,658</u>	<u>187,777</u>	<u>5,988,435</u>
Surplus of revenues over expenditures	<u>1,026,754</u>	<u>83,126</u>	<u>1,109,880</u>
Net changes in fund balances	1,026,754	83,126	1,109,880
Beginning fund balances - beginning of year	5,988,079	129,013	6,117,092
Fund balances - end of year	<u>\$ 7,014,833</u>	<u>\$ 212,139</u>	<u>\$ 7,226,972</u>

See accompanying notes.

City of Flagler Beach, Florida
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2019

Net changes in fund balances - total governmental funds \$ 1,109,880

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays recorded as expenditures in governmental funds	227,171	
Current year depreciation not reported in governmental funds	<u>(724,315)</u>	(497,144)

Some revenues and expenses reported in the Statement of Activities did not require the use of or provide current financial resources and therefore are not reported in the governmental funds.

Change in:

Compensated absences payable	(3,582)	
Interest payable	1,565	
Deferred outflows - Contributions	235,724	
Deferred inflows - Contributions	(30,528)	
Net pension asset	(108,286)	
Net pension liability	(102,017)	
Other postemployment benefits liability	<u>(17,197)</u>	(24,321)

The issuance of long-term debt (e.g. notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. In the current year, these amounts consist of:

Principal payments on notes payable and capital lease	<u>61,474</u>	<u>61,474</u>
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Changes in net position of governmental activities \$ 649,889

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Statement of Net Position
Enterprise Funds
September 30, 2019

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Pier</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,504,818	\$ 711,229	\$ 296,573	\$ -	\$ 2,512,620
Restricted cash and cash equivalents:					
Customer deposits	386,504	-	-	-	386,504
Investments	2,321,069	532,785	-	-	2,853,854
Receivables (net of allowance for uncollectible accounts):					
Accounts receivable	412,806	109,729	43,383	150	566,068
Unbilled accounts	169,849	-	-	-	169,849
Due from other governments	175,572	372,469	-	27,678	575,719
Due from other funds		36,584	12,911	-	49,495
Prepays and other assets	1,716	-	-	114,259	115,975
Total current assets	<u>4,972,334</u>	<u>1,762,796</u>	<u>352,867</u>	<u>142,087</u>	<u>7,230,084</u>
Non-current assets:					
Restricted investments:					
Water impact fees	1,985,494	-	-	-	1,985,494
Sewer impact fees	2,136,579	-	-	-	2,136,579
Total restricted investments	<u>4,122,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,122,073</u>
Unrestricted:					
Land	75,562	-	1,572,673	-	1,648,235
Construction in progress	181,276	-	54,950	17,555	253,781
Buildings	11,677,842	70,021	3,507	381,429	12,132,799
Improvements other than buildings	18,674,886	-	-	1,987,054	20,661,940
Equipment	2,274,860	1,601,779	93,379	-	3,970,018
Infrastructure	-	-	4,648,698	-	4,648,698
Less accumulated depreciation	(13,568,052)	(887,899)	(767,178)	(1,184,517)	(16,407,646)
Total non-current unrestricted assets	<u>19,316,374</u>	<u>783,901</u>	<u>5,606,029</u>	<u>1,201,521</u>	<u>26,907,825</u>
Total non-current assets	<u>23,438,447</u>	<u>783,901</u>	<u>5,606,029</u>	<u>1,201,521</u>	<u>31,029,898</u>
Total assets	<u>28,410,781</u>	<u>2,546,697</u>	<u>5,958,896</u>	<u>1,343,608</u>	<u>38,259,982</u>
LIABILITIES					
Current liabilities:					
Accounts payable	172,926	97,198	3,882	40,500	314,506
Accrued personal services liabilities	32,484	8,674	2,836	2,991	46,985
Retainage payable	-	-	32,433	-	32,433
Accrued interest payable	17,650	-	-	-	17,650
Current portion of long-term debt	393,855	94,110	4,616	-	492,581
Compensated absences payable	27,778	6,889	1,023	1,865	37,555
Customer deposits payable	207,571	-	-	9,000	216,571
Due to other funds	55,684	-	-	174,144	229,828
Due to other governments	-	-	-	214	214
Total current liabilities	<u>907,948</u>	<u>206,871</u>	<u>44,790</u>	<u>228,714</u>	<u>1,388,323</u>
Non-current liabilities					
Loans payable	2,784,679	363,472	1,042,573	-	4,190,724
Compensated absences payable	30,339	3,560	1,444	4,444	39,787
Other postemployment benefits	96,524	30,577	6,617	4,564	138,282
Total non-current liabilities	<u>2,911,542</u>	<u>397,609</u>	<u>1,050,634</u>	<u>9,008</u>	<u>4,368,793</u>
Total liabilities	<u>3,819,490</u>	<u>604,480</u>	<u>1,095,424</u>	<u>237,722</u>	<u>5,757,116</u>
NET POSITION					
Net investment in capital assets	16,137,840	326,319	4,558,840	1,201,521	22,224,520
Restricted for:					
Water construction	1,985,494	-	-	-	1,985,494
Sewer construction	2,136,579	-	-	-	2,136,579
Unrestricted	4,331,378	1,615,898	304,632	(95,635)	6,156,273
Total net position	<u>\$ 24,591,291</u>	<u>\$ 1,942,217</u>	<u>\$ 4,863,472</u>	<u>\$ 1,105,886</u>	<u>\$ 32,502,866</u>

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended September 30, 2019

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Pier</u>	<u>Total</u>
Operating revenues:					
Charges for services					
Water	\$ 2,430,390	\$ -	\$ -	\$ -	\$ 2,430,390
Sewer	1,864,504	-	-	-	1,864,504
Sanitation	-	1,147,127	-	-	1,147,127
Stormwater	-	-	416,556	-	416,556
Rent, admissions, and other fees	-	-	-	408,768	408,768
Other operating revenues	51,723	13,909	3,872	-	69,504
Total operating revenues	<u>4,346,617</u>	<u>1,161,036</u>	<u>420,428</u>	<u>408,768</u>	<u>6,336,849</u>
Operating expenses:					
Personal services	1,320,663	357,353	75,713	132,161	1,885,890
Materials, supplies, services and other operating expenses	934,189	690,601	38,369	297,189	1,960,348
Depreciation	906,293	106,366	128,218	114,961	1,255,838
Total operating expenses	<u>3,161,145</u>	<u>1,154,320</u>	<u>242,300</u>	<u>544,311</u>	<u>5,102,076</u>
Operating income (loss)	<u>1,185,472</u>	<u>6,716</u>	<u>178,128</u>	<u>(135,543)</u>	<u>1,234,773</u>
Nonoperating revenues (expenses):					
Impact fees	263,073	-	-	-	263,073
Investment earnings	236,798	42,013	3,006	-	281,817
Interest expense	(90,195)	(15,884)	(28,960)	-	(135,039)
Gain on sale/impairment of fixed assets	9,046	-	-	-	9,046
Noncapital grants and contributions	-	414,384	-	-	414,384
Total nonoperating revenues (expenses)	<u>418,722</u>	<u>440,513</u>	<u>(25,954)</u>	<u>-</u>	<u>833,281</u>
Income (loss) before capital grants and contributions	1,604,194	447,229	152,174	(135,543)	2,068,054
Capital grants and contributions	651,430	-	-	63,666	715,096
Changes in net position	<u>2,255,624</u>	<u>447,229</u>	<u>152,174</u>	<u>(71,877)</u>	<u>2,783,150</u>
Total net position - beginning	<u>22,335,667</u>	<u>1,494,988</u>	<u>4,711,298</u>	<u>1,177,763</u>	<u>29,719,716</u>
Total net position - ending	<u>\$ 24,591,291</u>	<u>\$ 1,942,217</u>	<u>\$ 4,863,472</u>	<u>\$ 1,105,886</u>	<u>\$ 32,502,866</u>

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Statement of Cash Flows
Enterprise Funds
For the Year Ended September 30, 2019

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Sanitation	Storm Water	Pier	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,431,031	\$ 1,164,990	\$ 414,659	\$ 408,693	\$ 6,419,373
Payments to suppliers	(903,005)	(669,726)	(84,621)	(265,040)	(1,922,392)
Payments to employees	(1,298,692)	(361,488)	(74,959)	(129,720)	(1,864,859)
Other operating cash transfers	(28,693)	21,721	776	22,684	16,488
Net cash provided by operating activities	<u>2,200,641</u>	<u>155,497</u>	<u>255,855</u>	<u>36,617</u>	<u>2,648,610</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Impact fees	263,073	-	-	-	263,073
Noncapital grants and contributions	-	414,384	-	-	414,384
Net cash provided by noncapital financing activities	<u>263,073</u>	<u>414,384</u>	<u>-</u>	<u>-</u>	<u>677,457</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants and contributions	522,439	271,910	23,290	(27,678)	789,961
Acquisition and construction of capital assets	(988,745)	(660,521)	(41,773)	(8,939)	(1,699,978)
Principal paid on capital debt	(430,130)	(766,637)	(117,764)	-	(1,314,531)
Interest paid on capital debt	(92,295)	(15,884)	(28,960)	-	(137,139)
Net cash (used) by capital and related financing activities	<u>(988,731)</u>	<u>(1,171,132)</u>	<u>(165,207)</u>	<u>(36,617)</u>	<u>(2,361,687)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(21,572)	-	-	(21,572)
Proceeds from sales and maturities of investments	(522,567)	-	-	-	(522,567)
Interest and other income	236,798	42,013	3,006	-	281,817
Net cash provided (used) by investing activities	<u>(285,769)</u>	<u>20,441</u>	<u>3,006</u>	<u>-</u>	<u>(262,322)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,189,214</u>	<u>(580,810)</u>	<u>93,654</u>	<u>-</u>	<u>702,058</u>
Cash and cash equivalents, beginning of the year	702,108	1,292,039	202,919	-	2,197,066
Cash and cash equivalents, end of the year	<u>\$ 1,891,322</u>	<u>\$ 711,229</u>	<u>\$ 296,573</u>	<u>\$ -</u>	<u>\$ 2,899,124</u>
Reconciliation of cash and cash equivalents to the statement of net assets					
Cash and cash equivalents	\$ 1,504,818	\$ 711,229	\$ 296,573	\$ -	\$ 2,512,620
Restricted cash and cash equivalents	386,504	-	-	-	386,504
	<u>\$ 1,891,322</u>	<u>\$ 711,229</u>	<u>\$ 296,573</u>	<u>\$ -</u>	<u>\$ 2,899,124</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 1,185,472	\$ 6,716	\$ 178,128	\$ (135,543)	\$ 1,234,773
Adjustments to reconcile to operating income to net cash provided by operating activities:					
Depreciation	906,293	106,366	128,218	114,961	1,255,838
(Increase) decrease in certain assets:					
Prepays	98,229	-	-	-	98,229
Accounts receivable	(1,716)	3,954	(5,769)	(75)	(3,606)
Increase (decrease) in certain liabilities:					
Accounts payable	32,900	20,875	(46,252)	32,149	39,672
Accrued personal service liabilities	21,971	(4,135)	754	2,441	21,031
Customer deposits	4,003	-	-	-	4,003
Due to other governments	-	-	-	95	95
Unearned revenues	(17,818)	-	-	-	(17,818)
Due to other funds	(28,693)	21,721	776	22,589	16,393
Total adjustments	<u>1,015,169</u>	<u>148,781</u>	<u>77,727</u>	<u>172,160</u>	<u>1,413,837</u>
Net cash provided by operating activities	<u>\$ 2,200,641</u>	<u>\$ 155,497</u>	<u>\$ 255,855</u>	<u>\$ 36,617</u>	<u>\$ 2,648,610</u>

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2019

	Municipal Police Officers' Pension Trust Fund	Municipal Firefighters' Pension Trust Fund	Total
ASSETS			
Cash equivalents	\$ 94,543	\$ 23,585	\$ 118,128
Receivables:			
Other receivables	1,211	-	1,211
Accrued income	2,357	1,182	3,539
Investments:			
Fixed income mutual funds	1,054,374	528,377	1,582,751
Equity mutual funds	2,947,565	1,362,729	4,310,294
Total assets	<u>4,100,050</u>	<u>1,915,873</u>	<u>6,015,923</u>
LIABILITIES			
Accounts payable	1,645	3,445	5,090
Refunds payable	-	24,375	24,375
Prepaid city contribution	6,886	4,705	11,591
Total liabilities	<u>8,531</u>	<u>32,525</u>	<u>41,056</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 4,091,519</u>	<u>\$ 1,883,348</u>	<u>\$ 5,974,867</u>

See accompanying notes.

City of Flagler Beach, Florida
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended September 30, 2019

	Municipal Police Officers' Pension Trust Fund	Municipal Firefighters' Pension Trust Fund	Total
ADDITIONS			
Contributions:			
Employees	\$ 77,838	\$ 27,936	\$ 105,774
Employer	134,974	76,200	211,174
State insurance	56,051	47,053	103,104
Total contributions	<u>268,863</u>	<u>151,189</u>	<u>420,052</u>
Investment earnings:			
Net increase in fair value of investments	80,586	37,876	118,462
Interest and dividends	88,540	41,047	129,587
Less: investment expense	<u>(14,500)</u>	<u>(10,000)</u>	<u>(24,500)</u>
Net investment earnings	<u>154,626</u>	<u>68,923</u>	<u>223,549</u>
Buybacks/repayment of contributions	<u>42,166</u>	<u>-</u>	<u>42,166</u>
Total additions	<u>465,655</u>	<u>220,112</u>	<u>685,767</u>
DEDUCTIONS			
Distributions:			
Benefit payments	221,192	38,871	260,063
Share plan payments	390	-	390
Refunds of member contributions	-	24,375	24,375
Total distributions	<u>221,582</u>	<u>63,246</u>	<u>284,828</u>
Administrative expenses	<u>47,024</u>	<u>45,898</u>	<u>92,922</u>
Total deductions	<u>268,606</u>	<u>109,144</u>	<u>377,750</u>
Change in net position	<u>197,049</u>	<u>110,968</u>	<u>308,017</u>
Net position - beginning	<u>3,894,470</u>	<u>1,772,380</u>	<u>5,666,850</u>
Net position - ending	<u>\$ 4,091,519</u>	<u>\$ 1,883,348</u>	<u>\$ 5,974,867</u>

See accompanying notes.

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

I. Summary of significant accounting policies

A. Reporting entity

The City of Flagler Beach (City), Florida, Flagler County (County), a political subdivision incorporated in 1946, under the authority of Chapter 165 *Florida Statutes*, was established by Chapter 11.481 Laws of Florida Acts of 1925. The City operates under a Commission-Manager form of government and provides the following services, as authorized by the City Charter: public safety (police, fire, and building departments), highways and streets, culture/recreation, public improvements, planning and zoning, and general government services. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so, data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The City has no discretely presented component units to report.

Blended component unit. The Flagler Beach Community Redevelopment Agency (CRA) was created and established by City Ordinances 95-24 and 97-21, for the purpose of rehabilitation, conservation and redevelopment of specific downtown areas of the City. The CRA is a blended component unit of the City as both entities are governed by the City Commission. The applicable requirements of Florida Statutes 163.387 are met as a result of the CRA's inclusion in the audited financial statements of the City.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include 1) charges and fees from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, enterprise funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The General Fund – the City's primary operating fund. It accounts for all financial resources of the general government, except those required or permitted and chosen by management to be accounted for in another fund.
- The Community Redevelopment Fund – The City's special revenue fund. It accounts for revenue sources that are legally restricted to expenditures for the CRA.

The City reports the following major enterprise funds:

- The Water and Sewer Fund – accounts for the operations and activities of the City's water and sewer department.
- The Sanitation Fund – accounts for the operations and activities of the City's sanitation department.
- The Stormwater Fund – accounts for the City's stormwater operations and activities.

The City reports the following non-major enterprise fund:

- The Pier Fund is the City's only non-major fund and accounts for the operations and maintenance of the City Pier.

Additionally, the City reports the following fiduciary funds:

- The Pension Trust Funds – account for the assets of the Municipal Police Officers' Pension Trust Fund and the Municipal Firefighters' Pension Trust Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges and fees from customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents presented on the Statement of Cash Flows - Enterprise Funds are composed of restricted and unrestricted cash.

2. Receivables and payables

All outstanding balances between funds are reported on the fund financial statements as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Enterprise fund receivables are balances due from commercial and residential customers within the City. The City's policy for collections is limited to applying security deposits to past due amounts, the right to discontinue service and to place liens on property. Enterprise receivables are shown net of an allowance for uncollectible accounts.

All real and tangible personal property taxes are assessed as of the first of January. Assessments are levied and payable on the first of November of each year or as soon thereafter as the assessment roll is certified by the Flagler County Property Appraiser. The

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

County mails to each property owner on the assessment roll a notice of the taxes due and the County also collects the taxes for the City.

City property tax revenues are recognized when levied to the extent that they result in current receivables. Procedures for the collection of delinquent taxes by the County are provided for in the *Florida Statutes*.

The property tax calendar is as follows:

Valuation Date January 1, 2018

Property Appraiser prepares the assessment roll with values as of January 1, 2018, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2018

City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 13, 2018
and
September 27, 2018

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Ley Date). November 1, 2018

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2018 through March 2019, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	November 1, 2018
January	2	through
February	1	March 31, 2019
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2019

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2019

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2019

A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes. June 1, 2019

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

4. Restricted assets

Certain proceeds of the City's enterprise Stormwater Fund's revenue notes are classified as restricted assets on the Balance Sheet and Statement of Net Position because their use is limited by applicable bond covenants.

Restricted assets required to be set aside for the payment of enterprise fund contingencies, and other specific enterprise fund assets set aside for restricted purposes, which cannot be used for routine operations, are classified as restricted assets since their exclusive use is limited by applicable legal indentures.

5. Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest capitalization ceases when the construction project is substantially complete. Interest is not capitalized for construction projects of governmental funds or for assets acquired by contributions and grants that restrictively specify the type of asset that may be purchased or constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15-50
Improvements other than buildings	10-50
Equipment	5-15

Pursuant to GASB Statement No. 34, the City is exempt from being required to record and depreciate infrastructure assets acquired before the implementation date becomes effective. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure assets completed prior to October 1, 2003.

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

7. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick-pay benefits. No liability is reported for unpaid accumulated sick leave, except for police officers. Vacation pay is accrued when incurred in enterprise funds and reported as a fund liability. Vacation and sick-pay that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it. No expenditure is reported for these amounts in the current year in the governmental funds. Amounts not expected to be liquidated with expendable available financial resources are reported as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. Also, for governmental activities, compensated absences are generally liquidated by the General Fund.

8. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Fund equity

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form (such as prepaid expenses and advances due from other funds) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or as delegated to the City Manager.

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Commission establishes and modifies or rescinds fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balances are established by the City Commission through adoption or amendment of the budget and through delegation to the City Manager.

When both restricted and unrestricted fund (committed, assigned or unassigned) balances are available, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

The City does not have an established policy regarding its use of unrestricted fund balance amounts but chooses to follow GASB Statement No. 54, paragraph 18 and considers that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

E. Recently issued accounting standards

GASB Statement No. 83, Certain Asset Retirement Obligations – this Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally forceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement became effective for the year ended September 30, 2019. This Statement had no effect on the City's financial statements for the current year.

GASB Statement No. 84, Fiduciary Activities – the objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will be effective for the year ended September 30, 2020.

GASB Statement No. 87, Leases – this Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement will be effective for the year ended September 30, 2021.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements – the primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement became effective for the year ended September 30, 2019. This Statement had no effect on the City's financial statements for the current year.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – the objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will be effective for the year ended September 30, 2021.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental funds Balance Sheet and the government-wide Statement of Net Position.

Following the governmental fund Balance Sheet is a reconciliation between *fund balances — governmental funds* and *net position of governmental activities* as reported in the government-wide Statement of Net Position. The details of the differences are explained in the reconciliation.

B. Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities.

Following the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances, there is a reconciliation between *net changes in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide Statement of Activities. The details of the differences are explained in the reconciliation.

III. Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are legally adopted for the General and Special Revenue Fund. All annual appropriations lapse at fiscal year end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

As of September 30, 2019, the City has encumbered amounts in the General Fund that they intend to honor in the subsequent year. The amount encumbered in the General Fund at September 30, 2019 is \$720,229. Of this amount, \$228,741 is reported as committed and \$491,488 as assigned for general government expenditures at the fund level.

The City follows these procedures in establishing the Budgetary Comparison Schedule data reflected in the financial statements:

- The City Manager annually prepares and submits to the City Commission a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- The general summary of the budget and notice of public hearing is published in the local newspaper.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted for the General Fund through passage of a resolution.
- Expenditures may not exceed the annual appropriations without budget revisions and all appropriations lapse at the end of the fiscal year.
- The City Commission must approve any budget revisions that change the total expenditures of any department. The City Manager is authorized to approve budget transfers within each department as he deems necessary as long as each department is not over expended.

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

However, any proposed transfer between departments must first be approved by the City Commission. The level of classified account detail at which expenditures may not legally exceed appropriations is within a department by fund.

- Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Fund.
- All budgets are adopted on a basis consistent with GAAP.

IV. Detailed notes on all funds

A. Deposits and investments

At September 30, 2019, the carrying amount of the City's deposits was \$3,995,196 and the bank balances were \$4,322,888. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial banks, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, *Florida Statutes*.

The Florida Security for Public Deposits Act (Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125%, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

On June 27, 2002, the City adopted a comprehensive investment policy pursuant to Section 218.415, *Florida Statutes*, which limits the types of investments that a government can invest in unless specifically authorized in an investment policy. The City's investment policy allows for the following investments:

- i. SBA Investment Pool.
- ii. Bonds, notes, or other obligations of the United States guaranteed by the United States or for which the credit of the United States is pledged for the payment of principal and interest or dividends.
- iii. Interest bearing savings accounts in state-certified qualified public depositories.
- iv. Certificates of Deposit in state-certified qualified public depositories.
- v. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- vi. Federal Agencies and Instrumentalities, which are non-full faith and credit agencies.
- vii. Repurchase Agreements comprised of only those investments as authorized in Sections (ii) and (vi). All repurchase agreement transactions and institutions and dealers transacting repurchase agreements will be required to perform as stated in the Master Repurchase Agreement.
- viii. Commercial Paper rated at the time of purchase, "Prime-1" by Moody's Investors Service and "A-1" by Standard & Poor's Corporation.
- ix. Inventory-based Banker's Acceptances issued by a domestic bank, which has a rating of at least "Prime-1" by Moody's Investors Service and "A-1" and "A" by Standard & Poor's Corporation and ranked in the top fifty (50) United States Banks in terms of total assets by The American Banker's yearly report.
- x. The Florida Municipal Investment Trust.

City of Flagler Beach, Florida
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The City's investments include investments with Florida PRIME, which is administered by the SBA. The SBA administers the Florida PRIME investments pursuant to Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME.

The Florida PRIME (investment policies can be found at www.sbafla.com/prime), is operated as a 2a-7-like pool, carried at amortized cost. A 2a-7-like pool is an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, Florida PRIME operates essentially as a money market fund and the City's position in Florida PRIME is considered to be equivalent to its fair value.

GASB Statement No. 79 says that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

With regard to redemption gates, Chapter 218.409(8)(a), *Florida Statutes*, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, *Florida Statute* 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

The City has investments in Florida Municipal Investment Trust (FMIT). The FMIT is an external pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The FMIT is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. Participants in the FMIT are limited to governmental entities in the State of Florida.

The FMIT has adopted GASB Statement No. 31 and the fair value of the City's position in the FMIT is the same as the fair value of the FMIT shares. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

City of Flagler Beach, Florida
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The City reports two pension trust fund plans in the accompanying financial statements. Each of the plans has a separate governing board of trustees, a separate investment policy, and differing investment restriction/risks.

At September 30, 2019, the cash deposits and investments controlled by the City included the following:

Investments:

Florida PRIME	\$	5,007,527
FMIT		7,742,439
Total investments		12,749,966

Cash:

Cash deposits		3,995,196
Total cash and investments	\$	16,745,162

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Interest rate risk, credit risk, concentration of credit risk, and custodial credit risk are discussed in the following paragraphs.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy requires diversifying investments to control the risk of loss resulting from over-concentrations of assets in a specific maturity. The investment plans for the Municipal Police Officers' and Firefighters' Pension Trust Funds (collectively, Pension Trust Fund Plans) purchase investments with various durations of maturities as a means of limiting their exposure to fair value losses arising from interest rate fluctuations.

Information about the sensitivity of the fair values of the City's investments (including investments held by the pension trustees) to market interest rate fluctuations is provided by the following table that shows the City's investments and the distribution by maturity for those that have scheduled maturity dates.

	Fair Value	Investment Maturities (in years)	
		Less Than 1	1 - 5
Investments controlled by the City:			
Florida PRIME	\$ 5,007,527	\$ 5,007,527	\$ -
FMIT:			
0-2 Year High Quality Bond Fund	2,527,291	2,527,291	-
1-3 Year High Quality Bond Fund	3,596,844	-	3,596,844
Intermediate High Quality Bond Fund	1,618,304	-	1,618,304
Total investments controlled by the City	12,749,966	7,534,818	5,215,148
Pension Trust Funds investments:			
Vanguard Total Bond Market Index Fund	1,582,751	1,582,751	-
Vanguard Total International Stock Market Index Fund	688,752	688,752	-
Vanguard Total Stock Market Index Fund	3,621,542	3,621,542	-
Total Pension Trust Funds investments	5,893,045	5,893,045	-
Total investments	\$ 18,643,011	\$ 13,427,863	\$ 5,215,148

City of Flagler Beach, Florida
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Credit risk

A credit rating is a measure of credit risk, the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy and the Pension Trust Fund Plans utilize portfolio diversification in order to control this risk. The City's rated debt instruments as of September 30, 2019, were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below.

	Fair Value	Quality Ratings				Unrated
		AAAm (S&P)	AAAf/S1 (Fitch)	AAAf/S2 (Fitch)	AAAf/S3 (Fitch)	
Investments controlled by the City:						
Florida PRIME	\$ 5,007,527	\$ 5,007,527	\$ -	\$ -	\$ -	\$ -
FMIT:						
0-2 Year High Quality Bond Fund	2,527,291	-	2,527,291	-	-	-
1-3 Year High Quality Bond Fund	3,596,844	-	-	3,596,844	-	-
Intermediate High Quality Bond Fund	1,618,304	-	-	-	1,618,304	-
Total investments controlled by the City	<u>12,749,966</u>	<u>5,007,527</u>	<u>2,527,291</u>	<u>3,596,844</u>	<u>1,618,304</u>	<u>-</u>
Pension Trust Funds investments:						
Vanguard Total Bond Market Index Fund	1,582,751	-	-	-	-	1,582,751
Vanguard Total International Stock Market Index Fund	688,752	-	-	-	-	688,752
Vanguard Total Stock market Index Fund	3,621,542	-	-	-	-	3,621,542
Total Pension Trust Funds investments	<u>5,893,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,893,045</u>
Total investments	<u>\$ 18,643,011</u>	<u>\$ 5,007,527</u>	<u>\$ 2,527,291</u>	<u>\$ 3,596,844</u>	<u>\$ 1,618,304</u>	<u>\$ 5,893,045</u>

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Investments issued or explicitly guaranteed by the United States government and investments in external investment pools are excluded from this disclosure requirement. As of September 30, 2019, the City's investments subject to this disclosure requirement did not exceed 5% of total investments in any single issuer.

Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of failure of a counterparty, the City will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Consistent with the City's investment policy, as of September 30, 2019, all investments were held with an appropriate custodian or trustee and are held in accounts in the name of and belonging to the City.

Fair value measurements

The City's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 Inputs – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

Level 3 Inputs – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

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The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

Florida PRIME – Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, therefore, the City’s participant account balance is considered the fair value of the City’s investment. It is the Florida PRIME State Board of Administration’s interpretation that the City’s Florida PRIME investments are exempt from the GASB 72 fair value hierarchy disclosures and are appropriately excluded from the table below.

FMIT 0-2 Year High Quality Bond Fund – This fund invests mainly in US government and agency securities and asset-backed securities. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted.

FMIT 1-3 Year High Quality Bond Fund – This fund invests mainly in US government and agency securities and asset-backed securities. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted.

FMIT Intermediate High Quality Bond Fund – This fund invests mainly in US government and agency securities, asset-backed securities and corporate bonds and notes. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted.

The City’s investments fair value classifications are presented below.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments controlled by the City:				
FMIT:				
0-2 Year High Quality Bond Fund	\$ 2,527,291	\$ -	\$ 2,527,291	\$ -
1-3 Year High Quality Bond Fund	3,596,844	-	3,596,844	-
Intermediate High Quality Bond Fund	1,618,304	-	1,618,304	-
Total investments controlled by the City	<u>7,742,439</u>	<u>-</u>	<u>7,742,439</u>	<u>-</u>
Pension Trust Funds investments:				
Vanguard Total Bond Market Index Fund	1,582,751	1,582,751	-	-
Vanguard Total International Stock Market Index Fund	688,752	688,752	-	-
Vanguard Total Stock market Index Fund	3,621,542	3,621,542	-	-
Total Pension Trust Funds investments	<u>5,893,045</u>	<u>5,893,045</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 13,635,484</u>	<u>\$ 5,893,045</u>	<u>\$ 7,742,439</u>	<u>\$ -</u>

City of Flagler Beach, Florida
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B. Receivables

Receivables consisted of the following at September 30, 2019:

	General	Water and Sewer	Sanitation	Stormwater	Pier	Total
Receivables:						
Taxes, franchise fees	\$ 108,075	\$ -	\$ -	\$ -	\$ -	\$ 108,075
Accounts	-	436,885	107,029	43,383	-	587,297
Unbilled accounts	-	169,849	-	-	-	169,849
Intergovernmental	479,427	175,572	372,469	-	27,678	1,055,146
Other	44,150	15,921	2,700	-	150	62,921
Gross receivables	<u>631,652</u>	<u>798,227</u>	<u>482,198</u>	<u>43,383</u>	<u>27,828</u>	<u>1,983,288</u>
Less: Allowance for uncollectible accounts	-	(40,000)	-	-	-	(40,000)
Receivables, net	<u>\$ 631,652</u>	<u>\$ 758,227</u>	<u>\$ 482,198</u>	<u>\$ 43,383</u>	<u>\$ 27,828</u>	<u>\$ 1,943,288</u>

C. Interfund accounts

Interfund receivables and payables at September 30, 2019, are as follows:

	Due To Other Funds	Due From Other Funds
Governmental funds:		
General Fund	\$ -	\$ 264,271
Community Redevelopment Fund	(83,938)	-
Total governmental funds	<u>(83,938)</u>	<u>264,271</u>
Enterprise funds:		
Water and Sewer Fund	(55,684)	-
Sanitation Fund	-	36,584
Stormwater Fund	-	12,911
Pier Fund	(174,144)	-
Total enterprise funds	<u>(229,828)</u>	<u>49,495</u>
Total Due To/Due From	<u>\$ (313,766)</u>	<u>\$ 313,766</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and, (3) an interfund loan balance from the General Fund to the CRA in the amount of \$29,640 for the City portion of the 2013 Phase II C Project. The loan accrues 2% interest annually. The loan repayment paid back from the General Fund to the CRA was \$29,059 principal and \$1,174 interest for the year ended September 30, 2019. The remaining amount of \$54,298 due to the General Fund from the CRA is for CRA disbursements that were paid from the operating fund checking account that should have been paid from the CRA checking account.

City of Flagler Beach, Florida
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D. Capital assets

A summary of changes in the City's capital assets for the year ended September 30, 2019 is as follows:

	Balance 10-1-2018	Additions and Transfers	Disposals and Transfers	Balance 9-30-19
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,167,123	\$ -	\$ -	\$ 2,167,123
Construction in progress	45,760	-	-	45,760
Total capital assets, not being depreciated	<u>2,212,883</u>	<u>-</u>	<u>-</u>	<u>2,212,883</u>
Capital assets, being depreciated:				
Buildings	2,980,691	47,423	-	3,028,114
Improvements other than buildings	2,345,932	79,660	-	2,425,592
Equipment	3,238,485	122,010	(74,899)	3,285,596
Infrastructure	5,880,325	52,977	-	5,933,302
Total capital assets, being depreciated	<u>14,445,433</u>	<u>302,070</u>	<u>(74,899)</u>	<u>14,672,604</u>
Accumulated depreciation for:				
Buildings	(1,412,389)	(114,444)	-	(1,526,833)
Improvements other than buildings	(1,379,031)	(103,065)	-	(1,482,096)
Equipment	(1,927,116)	(266,560)	74,899	(2,118,777)
Infrastructure	(2,382,581)	(315,145)	-	(2,697,726)
Total accumulated depreciation	<u>(7,101,117)</u>	<u>(799,214)</u>	<u>74,899</u>	<u>(7,825,432)</u>
Total capital assets, being depreciated, net	<u>7,344,316</u>	<u>(497,144)</u>	<u>-</u>	<u>6,847,172</u>
Governmental activities capital assets, net	<u>\$ 9,557,199</u>	<u>\$ (497,144)</u>	<u>\$ -</u>	<u>\$ 9,060,055</u>
	10/1/2018	Additions and Transfers	Disposals and Transfers	9/30/2019
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 1,648,235	\$ -	\$ -	\$ 1,648,235
Construction in progress	748,324	208,251	(702,794)	253,781
Total capital assets, not being depreciated	<u>2,396,559</u>	<u>208,251</u>	<u>(702,794)</u>	<u>1,902,016</u>
Capital assets, being depreciated:				
Buildings	11,641,724	491,075	-	12,132,799
Improvements other than buildings	20,220,048	441,892	-	20,661,940
Equipment	3,085,361	1,334,266	(449,609)	3,970,018
Infrastructure	4,648,698	-	-	4,648,698
Total capital assets, being depreciated	<u>39,595,831</u>	<u>2,267,233</u>	<u>(449,609)</u>	<u>41,413,455</u>
Accumulated depreciation for:				
Buildings	(3,421,610)	(263,541)	-	(3,685,151)
Improvements other than buildings	(9,219,698)	(577,632)	-	(9,797,330)
Equipment	(2,365,176)	(298,448)	449,609	(2,214,015)
Infrastructure	(594,933)	(116,217)	-	(711,150)
Total accumulated depreciation	<u>(15,601,417)</u>	<u>(1,255,838)</u>	<u>449,609</u>	<u>(16,407,646)</u>
Total capital assets, being depreciated, net	<u>23,994,414</u>	<u>1,011,395</u>	<u>-</u>	<u>25,005,809</u>
Business-type activities capital assets, net	<u>\$ 26,390,973</u>	<u>\$ 1,219,646</u>	<u>\$ (702,794)</u>	<u>\$ 26,907,825</u>

City of Flagler Beach, Florida
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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 464,396
Public safety	237,861
Roads and streets	19,484
Culture/recreation	<u>77,473</u>
Total depreciation expense - governmental activities	<u>\$ 799,214</u>
Business-type activities:	
Water and sewer	\$ 906,293
Sanitation	106,366
Stormwater	128,218
Pier	<u>114,961</u>
Total depreciation expense - business-type activities	<u>\$ 1,255,838</u>

E. Leases

On October 30, 2007, the City renewed a submerged land lease agreement with the Florida Department of Environmental Protection for its Pier. The lease was renewed on October 30, 2017 through October 30, 2022. The annual lease payment is based on the amount of revenue generated by the Pier for fishing and walking. The lease payment paid was \$8,503 for the year ended September 30, 2019, based on revenues of \$163,803.

During the year ended September 30, 2018, the City entered into two lease agreements for financing the acquisition of a backhoe loader for Public Works and for the purchase of three sanitation trucks. The book value of the assets acquired through these capital leases for the year ended September 30, 2019 is as follows:

Backhoe loader	\$ 93,161
Sanitation trucks	660,521
Less: accumulated depreciation	<u>(80,769)</u>
Total book value	<u>\$ 672,913</u>

The lease agreement for the three sanitation trucks was dated August 3, 2018. At September 30, 2018, the proceeds of the lease to be used for the purchase of the sanitation trucks were in an escrow account established pursuant to an Escrow Agreement between the Suntrust Equipment Finance & Leasing Corp. and the City. The City took possession of the trucks in December, 2018, resulting in the escrow account to be zero at September 30, 2019.

City of Flagler Beach, Florida
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The minimum lease obligations and net present value of these minimum lease payments as of September 30, 2019, are as follows:

<u>Year Ending September 30,</u>	<u>Backhoe Loader</u>	<u>Sanitation Trucks</u>	<u>Total</u>
2020	\$ 20,187	\$ 103,607	\$ 123,794
2021	20,187	138,142	158,329
2022	20,187	138,143	158,330
2023	5,047	103,628	108,675
Total lease payments	65,608	483,520	549,128
Less amount representing interest	(3,375)	(25,938)	(29,313)
Present value of minimum lease payments	<u>\$ 62,233</u>	<u>\$ 457,582</u>	<u>\$ 519,815</u>

The City leases office equipment under noncancelable operating leases. The total costs of such leases were \$9,781 for the year ended September 30, 2019. The minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 5,763
2021	4,344
2022	2,140
Total	<u>\$ 12,247</u>

F. Long-term liabilities

The following is a summary of long-term liability activity for the year ended September 30, 2019:

	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 9/30/2019</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 710,000	\$ -	\$ (57,000)	\$ 653,000	\$ -
Capital leases	19,663	-	(4,474)	15,189	4,616
Compensated absences payable	131,486	143,588	(140,006)	135,068	68,746
Net pension liability	174,670	520,465	(418,448)	276,687	-
Other postemployment benefits	214,187	17,197	-	231,384	-
Governmental activities long-term liabilities	<u>\$ 1,250,006</u>	<u>\$ 681,250</u>	<u>\$ (619,928)</u>	<u>\$ 1,311,328</u>	<u>\$ 73,362</u>
Business-type activities:					
Revolving loan payable	\$ 3,522,756	\$ -	\$ (374,600)	\$ 3,148,156	\$ 384,622
Notes payable	1,122,000	-	(90,000)	1,032,000	-
Capital leases	638,827	-	(135,677)	503,150	107,959
Compensated absences payable	67,481	82,869	(73,008)	77,342	37,555
Other postemployment benefits	139,018	10,694	(11,431)	138,281	-
Business-type activities long-term liabilities	<u>\$ 5,490,082</u>	<u>\$ 93,563</u>	<u>\$ (684,716)</u>	<u>\$ 4,898,929</u>	<u>\$ 530,136</u>

Governmental Activities

Refunding Revenue Note

On July 10, 2015, the \$2,321,000 Refunding Revenue Note, Series 2015 (Series 2015 Note) was issued to refund the outstanding principal amount of the City's Stormwater Revenue Note,

City of Flagler Beach, Florida
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Series 2009 (2009 Stormwater Note) and the outstanding principal amount of the 2009 CRA Note, and to pay the costs of issuing the Series 2015 Note. The Series 2015 Note's par amount for the portion attributable to the CRA was \$873,000. Principal payments for the CRA's portion of the Series 2015 Note are due in annual installments commencing October 1, 2016 of \$53,000 to \$73,000 through October 1, 2029. Interest on the Series 2015 Note at 2.530% is due semiannually commencing October 1, 2015. The Series 2015 Note is secured solely by the City's covenant to budget and appropriate from legally available non-ad valorem revenues of the City.

Principal and interest of \$57,000 and \$17,963, respectively for the current year was paid for the debt service of the CRA's portion of the Series 2015 Note. As of September 30, 2019, the total amount of principal and accrued interest outstanding for the CRA's portion of the Series 2015 Note was \$747,267.

The following is a schedule of the future payments on the CRA's portion of the outstanding Series 2015 Note as of September 30, 2019:

Fiscal Year Ending September 30,	Note Payable		
	Principal	Interest	Total
2020*	\$ -	\$ 8,260	\$ 8,260
2021	58,000	15,787	73,787
2022	60,000	14,295	74,295
2023	61,000	12,764	73,764
2024	63,000	11,195	74,195
2025 - 2029	338,000	31,043	369,043
2030	73,000	923	73,923
	\$ 653,000	\$ 94,267	\$ 747,267

*Principal payment of \$57,000 due October 1, 2019 was paid on September 30, 2019.

Business-type Activities

State Revolving Fund Construction Loans

On January 18, 2005, the City was approved for a Drinking Water State Revolving Fund Construction Loan (Loan) from the Florida Department of Environmental Protection (FDEP) for the Water Treatment Plant Expansion Project. The amount of the original Loan was \$3,375,000 with an interest rate of 2.67%. In June 2006, the Loan was amended to include an additional \$3,158,750 with an interest rate of 2.65%. In July 2007, the Loan was amended to include an additional \$3,280,134 with an interest rate of 2.64%. As of the year ended September 30, 2019, \$7,705,748 had been drawn by the City on the Loan and \$4,363,426 has been repaid. Revenues of the water and sewer systems will repay this obligation.

The City has pledged the future net revenues (generally, customer revenues) of the water and sewer utility fund to repay the outstanding Loan issued in 2005 to finance the Water Treatment Plan Expansion Project. The Loan is payable solely from the utility net revenues and is payable through 2027. In 2019, annual principal and interest payments on the Loan were 23% of pledged revenues. As of September 30, 2019, the amount of total principal and accrued interest outstanding was \$3,490,783. Principal and interest paid for the current year were \$374,600 and \$91,150, respectively. Pledged revenues were \$2,040,010.

City of Flagler Beach, Florida
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The following is a schedule of the future payments on the outstanding Loan as of September 30, 2019:

Fiscal Year Ending September 30,	Note Payable		
	Principal	Interest	Total
2020	\$ 384,622	\$ 81,128	\$ 465,750
2021	394,910	70,838	465,748
2022	405,477	60,273	465,750
2023	416,326	49,426	465,752
2024	427,462	35,947	463,409
2025 - 2027	1,119,359	45,015	1,164,374
	<u>\$3,148,156</u>	<u>\$ 342,627</u>	<u>\$ 3,490,783</u>

Refunding Revenue Note

On July 10, 2015, the Series 2015 Note was issued to refund the outstanding principal amount of the City's 2009 Stormwater Note and the outstanding principal amount of the City's 2009 CRA Note and to pay the costs of issuing the Series 2015 Note. The Series 2015 Note's par amount for the portion attributable to Stormwater was \$1,448,000. Principal payments of the Stormwater portion of the Series 2015 Note are due in annual installments commencing October 1, 2015 of \$70,000 to \$115,000 through October 1, 2029. Interest on the Series 2015 Note at 2.530% is due semiannually commencing October 1, 2015.

Principal and interest of \$90,000 and \$28,387, respectively for the current year was paid for the debt service of the Stormwater portion of the Series 2015 Note. As of September 30, 2019, the total amount of principal and accrued interest outstanding for the Stormwater portion of the Series 2015 Note was \$1,180,967.

The following is a schedule of the future payments on the outstanding Stormwater portion of the Series 2015 Note as of September 30, 2019:

Fiscal Year Ending September 30,	Note Payable		
	Principal	Interest	Total
2020*	\$ -	\$ 13,055	\$ 13,055
2021	92,000	24,946	116,946
2022	94,000	22,593	116,593
2023	97,000	20,177	117,177
2024	99,000	17,697	116,697
2025 - 2029	535,000	49,044	584,044
2030	115,000	1,455	116,455
	<u>\$1,032,000</u>	<u>\$ 148,967</u>	<u>\$ 1,180,967</u>

*Principal payment of \$90,000 due October 1, 2019 was paid on September 30, 2019.

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation and natural disasters. The City carries commercial insurance for all of these risks of loss except workers' compensation.

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The City is a member of the Preferred Government Insurance Trust (PGI Trust). The PGI Trust was created to allow members to pool their liabilities pursuant to provisions in Florida Workers' Compensation Law. The City pays an annual premium to the PGI Trust for its workers' compensation coverage. The PGI Trust's underwriting and rate setting policies were established after consulting with an independent actuary. The PGI Trust is non-assessable and, therefore, the City has no liability for future deficits of the PGI Trust, if any.

There have been no significant reductions in insurance coverage from the prior year. Also, there have been no settlements which exceeded insurance coverage for each of the past three fiscal years.

B. Commitments, contingencies, and litigation

1. Construction commitments

The City has the following active significant construction projects as of September 30, 2019. At year end these commitments were \$2,093,302 as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Spent - to - Date</u>	<u>Remaining Commitment</u>
Community Redevelopment Fund:			
CRA Improvements - Landscape			
Verdego Inc.	\$ 7,900	\$ -	\$ 7,900
Water & Sewer Fund:			
Fire Hydrants			
DB Civil Construction	96,733	-	96,733
Mead & Hunt, Inc.	10,935	6,900	4,035
Lift Station Rehab			
Danus Utilities Inc.	161,065	-	161,065
WTP Improvements			
Mead & Hunt, Inc.	75,300	45,704	29,596
Odyssey	18,719	-	18,719
SGS Contracting Service, Inc.	473,700	-	473,700
Sun State Systems, Inc.	23,074	-	23,074
Sewer Rehab			
Utility Technicians, Inc	100,000	-	100,000
Utility Rehab			
Danus Utilities Inc.	144,590	-	144,590
WWTP Improvements			
McMahan Construction Co., Inc.	444,000	-	444,000
Mead & Hunt, Inc.	125,458	93,870	31,588
Odyssey	39,900	-	39,900
Stormwater Fund:			
S Central/Daytona Stormwater			
Kimley-Horn and Associates	32,100	26,655	5,445
Mead & Hunt, Inc.	18,500	-	18,500
W Gardner, LLC	463,739	-	463,739
Pier Enterprise Fund:			
A Frame Repair Consulting			
Mott MacDonald Consultants, Inc.	39,495	8,777	30,718
Total:	<u>\$ 2,275,208</u>	<u>\$ 181,906</u>	<u>\$ 2,093,302</u>

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

2. Grant programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

3. Legal matters

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of Counsel, no legal proceedings are pending against it, not covered by insurance, which would inhibit its ability to perform its operations or materially affect its financial condition.

C. Retirement plans

Defined contribution plan

The City of Flagler Beach, Florida 401(a) Money Purchase Plan is a defined contribution plan established by the City to provide benefits at retirement for general employees. The City is required to contribute on behalf of each participant 6.5% of earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Commission.

The plan assets are administered by ICMA Retirement Corp. The City does not exercise any control over the plan assets. For the fiscal year ending September 30, 2019, there were a total of 53 employees participating in the plan with a covered payroll of \$2,103,056. Contributions were approximately \$136,700 for the year ended September 30, 2019.

Defined benefit pension plans

Plan Description – The City has provided separate single-employer pension plans for all eligible police officers and firefighters. The Municipal Police Officers' Pension Trust Fund Plan (Police Plan) and the Municipal Firefighters' Pension Trust Fund Plan (Fire Plan) are collectively referred to as the Pension Trust Fund Plans. The City Commission is the authority under which obligations to contribute to the plans are established or may be amended. The Pension Trust Fund Plans do not issue a stand-alone financial report.

The Pension Trust Fund Plans are each administered by a Board of Trustees (Board) comprised of two Commission/Council appointees, two members of the Department elected by the Membership and a member elected by the other four members and approved by the Commission/Council.

All full-time certified police officers and firefighters are eligible to participate in the Police Plan and Fire Plan, respectively. Benefits vest with eligible employees after ten years of participation. Employees who retire at age 52 with 25 years of active service or at age 55 or later with at least 10 years of active service are entitled to an earned benefit, payable monthly for life, in an amount equal to 3.19% (Police Plan) and 3% (Fire Plan) of the average monthly pay (for the best five years of the latest ten years of average monthly pay determined on October 1 of each year) times the number of benefit years served. Employees are eligible for early retirement with 10 years of service at age 50 with benefits reduced 3% for each year commencement occurs prior to age 55. The Pension Trust Fund Plans also provide death and disability benefits. In the event the employee dies after retirement but before receiving retirement benefits for a period of 10 years, the same monthly benefit will be paid to their beneficiary for the balance of such 10-year period.

City of Flagler Beach, Florida
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The disability benefit is the greater of 42% (25% if not incurred in the line of duty) of the average monthly pay or the earned benefit for as long as there is a total disability. In addition to other benefits described, a monthly supplement of \$40 for each year of credited service is also payable to all full-time and volunteer firefighters.

Participants in the Police Plan and Fire Plan are required to contribute 10% and 5% of their annual salary to the Pension Trust Fund Plans, respectively. The City is required to contribute 6.5% of annual salaries for the Police Plan and, beginning June 2010, to the Fire Plan and the remaining amounts necessary to fund both Pension Trust Fund Plans, based upon actuarial valuations as required by State statutes (particularly Chapter 175 and Chapter 185, *Florida Statutes*) and City ordinances.

Contributions – Statewide pension funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The valuation method used for funding both Pension Trust Fund Plans is the aggregate actuarial cost method. The aggregate actuarial cost method is a method under which the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities. Currently the employee contributions, investment earnings, and insurance tax from the State cover the obligation of the Pension Trust Fund Plans.

The Florida Constitution requires local governments to make the actuarially determined contribution to their Pension Trust Fund Plans. The Florida Division of Retirement reviews and approves each local government's actuarial report to ensure its appropriateness for use for funding purposes. Additionally, the State collects one surcharge for the Police Plan on casualty insurance policies and another for the Fire Plan on certain real and personal property insurance policies within the corporate limits, which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirement for the then most recently completed fiscal year.

Measurement date

As permitted by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2018, one year prior to the reporting date. Because the City's Pension Trust Fund Plans do not issue separate financial statements, the disclosures required by GASB 67 as of September 30, 2019 are also included below each of the schedules of Changes in Net Pension Liability.

Plan Membership

Plan membership in the City's Pension Trust Fund Plans as of October 1, 2018 is as follows:

	Municipal Police Officers' Pension Trust Fund Plan	Municipal Firefighters' Pension Trust Fund Plan
Retirees and beneficiaries		
Inactive Plan members or beneficiaries currently receiving benefits	6	4
Inactive Plan members entitled to but not yet receiving benefits	10	5
Active Plan members	15	20
Total retirees and beneficiaries	31	29

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

Changes in Net Pension Liability

Municipal Police Officers' Pension Trust Fund Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	\$ 3,663,340	\$ 3,488,670	\$ 174,670
Changes for the Year:			
Service cost	181,472	-	181,472
Interest	286,220	-	286,220
Share plan allocation	5,344	-	5,344
Differences between expected and actual experience	204,944	-	204,944
Changes of assumptions	-	-	-
Contributions - employer	-	136,466	(136,466)
Contributions - State	-	53,639	(53,639)
Contributions - employee	-	83,550	(83,550)
Net investment income	-	338,143	(338,143)
Benefit payments, including refunds of employee contributions	(157,515)	(157,515)	-
Administrative expense	-	(35,835)	35,835
Net changes	520,465	418,448	102,017
Balances at September 30, 2018	<u>\$ 4,183,805</u>	<u>\$ 3,907,118</u>	<u>\$ 276,687</u>

The components of the net pension liability of the sponsor of the Police Plan on September 30, 2019 were as follows:

September 30, 2019	
Total pension liability	\$ 4,475,230
Plan net position	(4,098,405)
Net Pension Liability (Asset)	<u>\$ 376,825</u>
 Plan net position as a percentage of total pension liability	 91.58%

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

Municipal Firefighters' Pension Trust Fund Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	\$ 1,161,462	\$ 1,578,756	\$ (417,294)
Changes for the Year:			
Service cost	129,752	-	129,752
Interest and actual experience	94,641 146,201	- -	94,641 146,201
Changes of assumptions	-		-
Contributions - employer	-	86,628	(86,628)
Contributions - State	-	43,677	(43,677)
Contributions - employee	-	24,886	(24,886)
Net investment income	-	143,679	(143,679)
Benefit payments, including refunds of employee contributions	(58,679)	(58,679)	-
Administrative expense	-	(36,562)	36,562
Net changes	<u>311,915</u>	<u>203,629</u>	<u>108,286</u>
Balances at September 30, 2018	<u>\$ 1,473,377</u>	<u>\$ 1,782,385</u>	<u>\$ (309,008)</u>

The components of the net pension liability of the sponsor of the Fire Plan on September 30, 2019 were as follows

September 30, 2019	
Total pension liability	\$ 1,357,925
Plan net position	<u>(1,888,052)</u>
Net Pension Liability (Asset)	<u>\$ (530,127)</u>
Plan net position as a percentage of total pension liability	139.04%

City of Flagler Beach, Florida
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Actuarial assumptions and other inputs – The total pension liability in the actuarial valuation as of October 1, 2018 updated to September 30, 2019 using the following actuarial assumptions, applied to all measurement periods:

	Municipal Police Officers' Pension Trust Fund Plan	Municipal Firefighters' Pension Trust Fund Plan
Inflation	2.50%	2.50%
Salary Increases	Service Based	Service Based
Discount rate	7.35%	7.25%
Investment Rate of Return	7.35%	7.25%
Mortality	RP2000 Generational, Scale BB	RP2000 Generational, Scale BB
Mortality Disabled	RP2000 Disabled, No Projection Scale	RP2000 Disabled, No Projection Scale

The long-term expected rate of return on Pension Trust Fund Plans investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Trust Fund Plans' target asset allocations are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	50%	7.5%
International Equity	15%	8.5%
Broad Market Fixed Income	35%	2.5%
	<u>100%</u>	

Discount Rate – The discount rates used to measure the total pension liability for the Police Plan and Fire Plan were 7.35% and 7.25%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the Pension Trust Fund Plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Pension Trust Fund Plans investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Flagler Beach, Florida
Notes to the Financial Statements
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Sensitivity of the net pension liability – The following presents the net pension liability of the City, calculated using the discount rate of 7.35% and 7.25% for Police Plan and Fire Plan, respectively, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35% and 6.25%) or 1-percentage-point higher (8.35% and 8.25%) than the current rate:

Municipal Police Officers’ Pension Trust Fund Plan

As of September 30, 2019

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net Pension Liability	\$ 974,073	\$ 376,825	\$ (114,040)

As of September 30, 2018

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Net Pension Liability	\$ 824,578	\$ 276,687	\$ (175,549)

Municipal Firefighters’ Pension Trust Fund Plan

As of September 30, 2019

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ (308,504)	\$ (530,127)	\$ (707,951)

As of September 30, 2018

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ (60,090)	\$ (309,008)	\$ (511,137)

Pension expense, deferred outflows of resources and deferred inflows of resources related to pension

For the year ended September 30, 2019, the City recognized pension expense of \$185,520 and \$122,800, respectively for Police Plan and Fire Plan.

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension Trust Fund Plans from the following sources:

Municipal Police Officers' Pension Trust Fund Plan

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 216,641	\$ 80,690
Change of assumptions	34,864	-
Net difference between projected and actual earnings on pension plan investments	-	122,462
Employer and State contributions subsequent to the measurement date	185,260	-
Total	<u>\$ 436,765</u>	<u>\$ 203,152</u>

Municipal Firefighters' Pension Trust Fund Plan

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,934	\$ 95,679
Change of assumptions	33,805	-
Net difference between projected and actual earnings on pension plan investments	-	40,174
Employer and State contributions subsequent to the measurement date	117,953	-
Total	<u>\$ 292,692</u>	<u>\$ 135,853</u>

\$185,260 and \$117,953, respectively, were reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date for Police Plan and Fire Plan and are recognized as a reduction of net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Trust Fund Plans will be recognized in Pension Expense as follows:

Fiscal Year Ending September 30:	Police Plan	Fire Plan
2020	\$ 40,987	\$ 13,204
2021	(8,716)	(9,901)
2022	(22,976)	(3,767)
2023	4,901	7,096
2024	34,157	11,701
Thereafter	-	20,553
Total	<u>\$ 48,353</u>	<u>\$ 38,886</u>

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

Payable to the Pension Plan – On September 30, 2019, the City had no payables for outstanding amounts of contributions of the Police Plan and Fire Plan.

Other Postemployment Benefits (OPEB)

OPEB Plan Description and Benefits Provided

Plan description – The City of Flagler Beach’s Retiree Health Care Plan (Plan) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under an applicable retirement plan to continue medical insurance coverage as a participant in the City’s plan. For purposes of applying Paragraph 4 under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust.

The following table provides a summary of the number of participants in the plan as of September 30, 2017 (the latest valuation date).

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	0
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	<u>72</u>
Total	<u>72</u>

Benefits provided – A retired employee and his or her spouse and eligible dependents are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable retirement plan. The retiree is responsible for paying the entire monthly premium for health coverage and that of any covered spouse or eligible dependents.

Total OPEB Liability

The total OPEB liability was actuarially determined based on several actuarial assumptions. September 30, 2017 was the measurement date. This valuation was performed utilizing the Alternative Measurement Method for small plans as permitted under GASB Statement No. 75. The measurement date is September 30, 2018. The measurement period for the OPEB expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2018 through September 30, 2019.

The City’s total OPEB liability was measured as of September 30, 2018.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of September 30, 2017 using the following actuarial assumptions –

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.64%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

City of Flagler Beach, Florida
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For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA.

Discount rate – Given the City’s decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

OPEB expense -- For the year ended September 30, 2019, the City recognized OPEB expense of \$28,007.

Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Reporting period ending September 30, 2018	\$ 353,205
Changes for the Year:	
Service cost	37,961
Interest	14,031
Changes of assumptions	(23,985)
Benefit payments	(11,546)
Net changes	16,461
Balances at September 30, 2019	\$ 369,666

Changes in assumptions reflect a change in the discount rate from 3.64% for the fiscal year ending September 30, 2018 to 4.18% for the fiscal year ending September 30, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate-

	1% Decrease 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability (Asset)	\$ 415,927	\$ 369,666	\$ 330,604

Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates:

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates-

	1% Decrease 3.00%-7.50%	Healthcare Cost Trend Rates 4.00%-8.50%	1% Increase 5.00%-9.50%
Total OPEB Liability (Asset)	\$ 324,905	\$ 369,666	\$ 423,204

City of Flagler Beach, Florida
Notes to the Financial Statements
September 30, 2019

VI. Evaluation of subsequent events

The City is in the process of restoring and renovating the Wickline Building Complex, which includes the Library, Senior Center and the Wickline Building. The Wickline Building once served as Flagler Beach's school house, but now is in the process of being converted into a One Stop Building Permit/Planning and Zoning Center. The City recently paved the parking lot next to the Library, which provides parking for the Library, adjacent park, tennis courts and basketball courts. The Parking Lot was paid for with CRA funds, the remaining improvements are funded with the General Fund. The total amount of funding was approximately \$300,000, with approximately \$250,000 spent after September 30, 2019.

On February 17, 2020 the City was awarded a grant for \$500,000 for sliplining from the St. Johns River Water Management District (SJRWMD). A second grant with SJRWMD for \$500,000 is on the agenda for approval on July 9, 2020. The total cost of both phases will be approximately \$1.4 million and will complete the sliplining of all our main lines.

City management has evaluated subsequent events through June 30, 2020, the date which the financial statements are available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ATTACHMENT 6
City of Flagler Beach, Florida
Budgetary Comparison Schedule
General Fund
September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,280,738	\$ 4,280,738	\$ 4,383,040	\$ 102,302
Franchise fees	305,000	305,000	319,836	14,836
Licenses and permits	450,650	450,650	328,701	(121,949)
Intergovernmental	1,493,350	1,468,580	552,059	(916,521)
Charges for services	18,637	18,637	46,404	27,767
Fines and forfeitures	59,500	59,500	50,207	(9,293)
Grants and donations	-	422,690	518,639	95,949
Investment earnings	-	-	163,860	163,860
Miscellaneous	597,674	642,683	464,666	(178,017)
Total revenues	7,205,549	7,648,478	6,827,412	(821,066)
EXPENDITURES				
Current:				
Commission	84,521	96,466	82,260	14,206
Executive	177,806	177,806	155,732	22,074
City clerk	252,982	252,982	202,877	50,105
Human Resources	123,337	123,337	81,459	41,878
Finance	189,256	186,389	186,810	(421)
Legal counsel	132,400	155,400	145,118	10,282
Building maintenance	325,581	336,381	301,817	34,564
General government	528,486	555,088	473,455	81,633
Police	1,555,439	1,564,108	1,413,530	150,578
VOCA	120,276	121,250	109,951	11,299
Fire	1,056,283	1,087,658	994,092	93,566
Building and zoning	210,918	320,918	251,558	69,360
Roads and streets	409,419	421,040	380,666	40,374
Library	102,880	105,880	105,582	298
Museum	8,530	8,530	6,498	2,032
Beach	239,659	242,953	234,389	8,564
Recreation	464,063	545,481	156,556	388,925
Building code inspections	362,039	433,826	223,062	210,764
Capital projects	1,179,999	1,243,845	295,246	948,599
Total expenditures	7,523,874	7,979,337	5,800,658	2,178,679
Excess (deficiency) of revenues over (under) expenditures	(318,325)	(330,859)	1,026,754	1,357,613
Net change in fund balances	(318,325)	(330,859)	1,026,754	1,357,613
Fund balances - beginning of year	3,734,750	3,734,750	5,988,079	2,253,329
Fund balances - end of year	\$ 3,416,425	\$ 3,403,891	\$ 7,014,833	\$ 3,610,942

See accompanying notes.

ATTACHMENT 6
City of Flagler Beach, Florida
Budgetary Comparison Schedule
Community Redevelopment Fund
September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 277,545	\$ 277,545	\$ 270,903	\$ (6,642)
Total revenues	<u>277,545</u>	<u>277,545</u>	<u>270,903</u>	<u>(6,642)</u>
EXPENDITURES				
Current:				
Personnel costs				
Professional services	5,000	5,000	4,880	120
Audit	5,000	5,000	4,000	1,000
Contractual services	77,692	77,692	67,691	10,001
Utilities	7,000	7,000	6,659	341
Repairs & maintenance	10,000	10,000	19,300	(9,300)
Legal and personal notices	1,000	1,000	-	1,000
Operating supplies	5,000	5,000	-	5,000
Memberships and subscriptions	200	200	175	25
Capital projects	65,500	65,500	8,935	56,565
Debt service:				
Principal	86,059	86,059	57,000	29,059
Interest	19,137	19,137	19,137	-
Total expenditures	<u>281,588</u>	<u>281,588</u>	<u>187,777</u>	<u>93,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,043)</u>	<u>(4,043)</u>	<u>83,126</u>	<u>87,169</u>
Net change in fund balances	(4,043)	(4,043)	83,126	87,169
Fund balances - beginning of year	<u>108,868</u>	<u>108,868</u>	<u>129,013</u>	<u>20,145</u>
Fund balances - end of year	<u>\$ 104,825</u>	<u>\$ 104,825</u>	<u>\$ 212,139</u>	<u>\$ 107,314</u>

See accompanying notes.

City of Flagler Beach, Florida
Note to the Budgetary Comparison Schedules
For the Year Ended September 30, 2019

A. Budgetary Information

The budget is prepared on a basis consistent with GAAP. The City maintains the legal level of budgetary control at the department level in the General Fund and at the fund level for all other funds.

Total expenditures for each fund may not exceed appropriations without Commission approval.

ATTACHMENT 6

City of Flagler Beach, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Municipal Police Officers' Pension Trust Fund Plan
(Last 10 Fiscal Years)
September 30, 2019

Reporting period ending Measurement date	9/30/2020 9/30/2019	9/30/2019 9/30/2018	9/30/2018 9/30/2017	9/30/2017 9/30/2016	9/30/2016 9/30/2015	9/30/2015 9/30/2014	
TOTAL PENSION LIABILITY							
Service cost	\$ 186,283	\$ 181,472	\$ 163,804	\$ 140,418	\$ 152,425	\$ 148,987	PRIOR INFORMATION NOT AVAILABLE
Interest	323,707	286,220	270,030	233,628	218,206	197,282	
Share plan allocation	6,549	5,344	764	-	-	-	
Differences between expected and actual experience	(118,437)	204,944	(91,598)	114,638	(58,880)	-	
Changes of assumptions	72,739	-	-	87,160	-	-	
Contributions - Buy Back	42,166	-	-	-	-	-	
Benefit payments, including refunds of employee contributions	(221,582)	(157,515)	(137,764)	(102,745)	(90,905)	(57,881)	
Net change in total pension liability	291,425	520,465	205,236	473,099	220,846	288,388	
Total pension liability - beginning	4,183,805	3,663,340	3,458,104	2,985,005	2,764,159	2,475,771	
Total pension liability - ending (a)	<u>\$ 4,475,230</u>	<u>\$ 4,183,805</u>	<u>\$ 3,663,340</u>	<u>\$ 3,458,104</u>	<u>\$ 2,985,005</u>	<u>\$ 2,764,159</u>	
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 129,209	\$ 136,466	\$ 130,382	\$ 62,751	\$ 60,659	\$ 87,454	
Contributions - state	56,051	53,639	44,481	42,952	38,667	38,340	
Contributions - employee	77,838	83,550	81,895	72,128	71,655	71,530	
Contributions - Buy Back	42,166	-	-	-	-	-	
Net investment income	154,626	338,143	373,236	289,042	(40,277)	246,855	
Benefit payments, including refunds of employee contributions	(221,582)	(157,515)	(137,764)	(102,745)	(90,905)	(57,881)	
Administrative expense	(47,021)	(35,835)	(42,148)	(39,294)	(51,933)	(19,992)	
Net change in plan fiduciary net position	191,287	418,448	450,082	324,834	(12,134)	366,306	
Plan fiduciary net position - beginning	3,907,118	3,488,670	3,038,588	2,713,754	2,725,888	2,359,582	
Plan fiduciary net position - ending (b)	<u>\$ 4,098,405</u>	<u>\$ 3,907,118</u>	<u>\$ 3,488,670</u>	<u>\$ 3,038,588</u>	<u>\$ 2,713,754</u>	<u>\$ 2,725,888</u>	
Net pension liability - ending (a) - (b)	<u>\$ 376,825</u>	<u>\$ 276,687</u>	<u>\$ 174,670</u>	<u>\$ 419,516</u>	<u>\$ 271,251</u>	<u>\$ 38,271</u>	
Plan fiduciary net position as a percentage of the total pension liability	91.58%	93.39%	95.23%	87.87%	90.91%	98.62%	
Covered employee payroll*	\$ 778,377	\$ 835,497	\$ 818,946	\$ 721,277	\$ 716,550	\$ 715,298	
Net pension liability as a percentage of covered employee payroll	48.41%	33.12%	21.33%	58.16%	37.86%	5.35%	

Notes to Schedule:

*The covered employee payroll numbers shown are in compliance with GASB 82.

Changes of assumptions:

For measurement date 9/30/2019, the Board of Trustees adopted the following changes:

-Salary Increase Assumption

-Retirement Assumption

-Withdrawal Assumption

-Investment rate of return was reduced from 7.60% to 7.35%, net of investment related expenses.

ATTACHMENT 6

City of Flagler Beach, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Municipal Firefighters' Pension Trust Fund Plan
(Last 10 Fiscal Years)
September 30, 2019

Reporting period ending Measurement date	9/30/2020 9/30/2019	9/30/2019 9/30/2018	9/30/2018 9/30/2017	9/30/2017 9/30/2016	9/30/2016 9/30/2015	9/30/2015 9/30/2014	
TOTAL PENSION LIABILITY							
Service cost	\$ 129,855	\$ 129,752	\$ 82,884	\$ 81,822	\$ 74,954	\$ 63,454	PRIOR INFORMATION NOT AVAILABLE
Interest	117,847	94,641	90,640	77,035	69,702	63,195	
Changes of benefit terms	(322)	-	-	-	-	-	
Differences between expected and actual experience	(216,635)	146,201	(118,194)	16,460	(1,875)	-	
Changes of assumptions	(82,951)	-	-	50,710	-	-	
Benefit payments, including refunds of employee contributions	(63,246)	(58,679)	(39,022)	(52,357)	(51,394)	(51,394)	
Net change in total pension liability	(115,452)	311,915	16,308	173,670	91,387	75,255	
Total pension liability - beginning	1,473,377	1,161,462	1,145,154	971,484	880,097	804,842	
Total pension liability - ending (a)	\$ 1,357,925	\$ 1,473,377	\$ 1,161,462	\$ 1,145,154	\$ 971,484	\$ 880,097	
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 70,900	\$ 86,628	\$ 83,554	\$ 2,978	\$ 12,764	\$ 24,723	
Contributions - state	47,053	43,677	31,857	35,714	62,074	50,517	
Contributions - employee	27,936	24,886	25,221	15,917	14,900	13,776	
Net investment income	68,923	143,679	158,378	124,245	(19,545)	115,088	
Benefit payments, including refunds of employee contributions	(63,246)	(58,679)	(39,022)	(52,357)	(51,394)	(51,394)	
Administrative expense	(45,899)	(36,562)	(35,837)	(36,875)	(28,497)	(12,148)	
Net change in plan fiduciary net position	105,667	203,629	224,151	89,622	(9,698)	140,562	
Plan fiduciary net position - beginning	1,782,385	1,578,756	1,354,605	1,264,983	1,274,681	1,134,119	
Plan fiduciary net position - ending (b)	\$ 1,888,052	\$ 1,782,385	\$ 1,578,756	\$ 1,354,605	\$ 1,264,983	\$ 1,274,681	
Net pension liability - ending (a) - (b)	\$ (530,127)	\$ (309,008)	\$ (417,294)	\$ (209,451)	\$ (293,499)	\$ (394,584)	
Plan fiduciary net position as a percentage of the total pension liability	139.04%	120.97%	135.93%	118.29%	130.21%	144.83%	
Covered employee payroll*	\$ 558,717	\$ 497,723	\$ 504,418	\$ 318,345	\$ 297,990	\$ 275,505	
Net pension liability as a percentage of covered employee payroll	-94.88%	-62.08%	-82.73%	-65.79%	-98.49%	-143.22%	

Notes to Schedule:

*The covered employee payroll numbers shown are in compliance with GASB 82.

Changes in benefit terms:

For measurement date 09/30/2019, amounts reported as changes of benefit terms resulted from the provisions of Chapter 112.1816, Florida Statutes. The Statutes state that, effective July 1, 2019, a death or disability (under the Plan's definition of total and permanent disability) for a Firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty-related.

Changes of assumptions:

For measurement date 09/30/2019, as a result of an Experience Study dated August 20, 2019, the Board approved the following changes:

- The investment rate of return assumption was decreased from 7.50% to 7.25% per year compounded annually, net of investment related expenses.
- Updates to the future salary increase assumption.
- Updates to assumed rates of retirement.
- Updates to assumed rates of withdrawal.

ATTACHMENT 6
City of Flagler Beach, Florida
Schedule of Contributions
Municipal Police Officers' Pension Trust Fund Plan
(Last 10 Fiscal Years)
September 30, 2019

	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	
Actuarially determined contribution	\$ 184,475	\$ 172,112	\$ 180,987	\$ 98,815	\$ 98,884	\$ 125,177	PRIOR INFORMATION NOT AVAILABLE
Contributions in relation to the actuarially determined contributions	178,711	184,762	174,099	105,703	99,326	125,794	
Contribution deficiency (excess)	\$ 5,764	\$ (12,650)	\$ 6,888	\$ (6,888)	\$ (442)	\$ (617)	
Covered employee payroll*	\$ 778,377	\$ 835,497	\$ 818,946	\$ 721,277	\$ 716,550	\$ 715,298	
Contributions as a percentage of covered employee payroll	22.96%	22.11%	21.26%	14.65%	13.86%	17.59%	

*The covered employee payroll numbers shown are in compliance with GASB 82.

Notes to Schedule

Valuation date: October 1, 2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions rates:

Mortality Rates: *Healthy Lives:*
Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB
Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.
Disabled Lives:
Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.
The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the Milliman's July 1, 2016 FRS actuarial valuation report for special risk employees.

Termination Rates: Service based table, assuming 10% of participants with service from 0-5 years will terminate each year, and 0% thereafter.

Disability Rates: See Table below. It is assumed that 75% of disabilities that occur are service related. This assumption was developed from those used by other plans containing Florida municipal Police Officers.

	%
Age	Becoming
20	0.03%
30	0.04%
40	0.07%
50	0.18%

Retirement Age: Earlier of:
1) age 55 and 10 years of service, or
2) age 52 and 25 years of service.
Also, any Member who has reached Normal Retirement Age is assumed to continue employment for one additional year.

Early Retirement: It is assumed that members who are eligible for Early Retirement (age 50) will retire at the rate of 5% per year.

Interest Rate: 7.6% per year, compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Salary Increases: Service based annual amount to assumed retirement age: 12% at 0 years of service, 5% from 1-10 years of service and 4.5% for 11 years of service and greater.
Projected salary at retirement is increased 10% to account for nonregular payments for those hired prior to 10/1/2010.

Cost-of-Living Adjustment: None

Funding Method: Entry Age Normal Actuarial Cost Method, with level dollar amortization of the Unfunded Actuarial Accrued Liability. The amortization period for the October 1, 2015 Method Change Base is 20 years.
The following load is utilized for determination of the Plan's contribution requirements:
• Interest – A half-year, based on the current 7.6% assumption.

Asset Methodology: In conjunction with the October 1, 2015 valuation, the Actuarial Value of Assets is based on a four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased in over a four-year period.

ATTACHMENT 6
City of Flagler Beach, Florida
Schedule of Contributions
Municipal Firefighters' Pension Trust Fund Plan
(Last 10 Fiscal Years)
September 30, 2019

	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	
Actuarially determined contribution	\$ 123,253	\$ 120,300	\$ 115,411	\$ 45,588	\$ 67,942	\$ 75,240	PRIOR INFORMATION NOT AVAILABLE
Contributions in relation to the actuarially determined contributions	117,953	130,305	115,411	38,692	74,838	75,240	
Contribution deficiency (excess)	<u>\$ 5,300</u>	<u>\$ (10,005)</u>	<u>\$ -</u>	<u>\$ 6,896</u>	<u>\$ (6,896)</u>	<u>\$ -</u>	
Covered employee payroll*	\$ 558,717	\$ 497,723	\$ 504,418	\$ 318,345	\$ 297,990	\$ 275,505	
Contributions as a percentage of covered employee payroll	21.11%	26.18%	22.88%	12.15%	25.11%	27.31%	

*The covered employee payroll numbers shown are in compliance with GASB 82.

Notes to Schedule

Valuation date: October 1, 2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions rates:

Mortality Rates:

Healthy Lives:
 Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB
 Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB
Disabled Lives:
 Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
 Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no set back, no projection scale.
 The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the Milliman's July 1, 2016 FRS actuarial valuation report for special risk employees.

Termination Rates: 5.0% for all ages. These rates are based on the results of an experience study issued April 22, 2013.

Disability Rates:

See Table below. It is assumed that 75% of disabilities that occur are service related. This assumption was developed from those used by other plans containing Florida municipal Police Officers.

Age	% Becoming Disabled
20	0.03%
30	0.04%
40	0.07%
50	0.18%

Retirement Age:

Number of Years after First Eligibility for Normal Retirement	Probability of Retirement
0	20%
1-4	5%
5 or more	100%

Early Retirement:

Commencing with the earliest Early Retirement Age (age 50 with 10 years of Credited Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. These rates are based on the results of an experience study issued April 22, 2013.

Interest Rate:

7.5% per year, compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Salary Increases:

7.5% per year until the assumed retirement age, see table on next page. This assumption is based on the results of an experience study issued April 22, 2013.

Payroll Growth:

N/A.

Funding Method:

Aggregate Actuarial Cost method.

Asset Methodology:

Fair Market Value, net of investment-related expenses.

ATTACHMENT 6
City of Flagler Beach, Florida
Schedule of Investment Returns
Pension Trust Fund Plans
(Last 10 Fiscal Years)
September 30, 2019

	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	
Police Officers' Pension Trust Fund Plan							PRIOR
Annual Money-Weighted Rate of Return							INFORMATION NOT
Net of Investment Expense	3.95%	9.76%	12.32%	10.62%	-1.48%	10.40%	AVAILABLE
Firefighters' Pension Trust Fund Plan							PRIOR
Annual Money-Weighted Rate of Return							INFORMATION NOT
Net of Investment Expense	3.82%	9.27%	11.83%	10.10%	-1.52%	9.98%	AVAILABLE

The data presented above was measured using actuarial methods prescribed by GASB Statements numbers 67 and 68.

Additional years will be added to this schedule annually until 10 years of data is presented.

ATTACHMENT 6
City of Flagler Beach, Florida
Schedule of Changes in Total OPEB Liability and Related Ratios
(Last 10 Fiscal Years)
September 30, 2019

Reporting period ending Measurement date	9/30/2019 9/30/2018	9/30/2018 9/30/2017	
TOTAL OPEB LIABILITY			
Service cost	\$ 37,961	\$ 40,191	PRIOR INFORMATION NOT AVAILABLE**
Interest	14,031	11,433	
Changes of assumptions	(23,985)	(26,484)	
Benefit payments	(11,546)	(10,617)	
Net change in total OPEB liability	16,461	14,523	
Total OPEB liability - beginning	353,205	338,682	
Total OPEB liability - ending (a)	<u>\$ 369,666</u>	<u>\$ 353,205</u>	
Covered employee payroll*	\$3,542,740	\$ 3,456,332	
Net OPEB liability as a percentage of covered employee payroll	10.43%	10.22%	

Notes to Schedule:

*FY 2018 Covered Payroll, projected based on actual FY 2017 Covered Payroll

Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2019:	4.18%
Fiscal Year Ending September 30, 2018:	3.64%
Fiscal Year Ending September 30, 2017:	3.06%

**This table will be built out to include a ten-year history.

OTHER REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, City Commissioners, and City Manager of the City of Flagler Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Flagler Beach, Florida (City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Nichols Group

The Nichols Group, P.A.
Certified Public Accountants
Fleming Island, Florida

June 30, 2020



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor, City Commissioners, and City Manager of the City of Flagler Beach, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Flagler Beach, Florida's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Nichols Group

The Nichols Group, P.A.
Certified Public Accountants
Fleming Island, Florida

June 30, 2020

ATTACHMENT 6
City of Flagler Beach, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Contract/ Grant Number	Federal Award Amount	Federal Expenditures
U.S. Department of Justice Passed Through Florida Department of Legal Affairs - Office of the Attorney Division Crime Victim Assistance	16.575	00049	\$ 116,444	\$ 100,876
U.S. Department of Homeland Security Passed Through Federal Emergency Management Agency (FEMA) Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4283	9,440,624	1,178,698
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4337	1,062,628	1,062,628
Total Disaster Grants			<u>10,503,252</u>	<u>2,241,326</u> <1>
Hazard Mitigation Grant	97.039	4283-49R	270,000	253,217
Hazard Mitigation Grant	97.039	4283-73R	28,797	28,797
Total Hazard Mitigation Grants			<u>298,797</u>	<u>282,014</u>
Total U.S. Department of Homeland Security			<u>10,802,049</u>	<u>2,523,340</u>
Total Expenditures of Federal Awards			<u>\$ 10,918,493</u>	<u>\$ 2,624,216</u>

<1> The Office of Management and Budget (OMB) requires that only expenditures that were approved by FEMA during the fiscal year be reported on the Schedule of Federal Awards (SEFA). The remaining expenditures will be reported on the SEFA in future years, when approved by FEMA.

The current Schedule is reporting approved expenditures that occurred during the following years:

16/17 Hurricane Matthew	\$ 49,621
17/18 Hurricane Matthew	1,053,062
18/19 Hurricane Matthew	76,015
16/17 Hurricane Irma	312,199
17/18 Hurricane Irma	749,139
18/19 Hurricane Irma	1,290
	<u>\$ 2,241,326</u>

Note to Schedule of Expenditures of Federal Awards –

This Schedule is presented using the modified accrual basis of accounting for grants which are accounted for in governmental funds and on the accrual basis of accounting for grants which are accounted for in proprietary funds. Such expenditures are recognized following the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and NonProfit Organizations and Chapter 10.500, Rules of the Auditor General. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Flagler Beach, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

ATTACHMENT 6

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issues on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weaknesses(es) identified? No
 Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major Federal Programs:
 Material weaknesses(es) identified? No
 Significant deficiency(ies) identified? None Reported

Type of auditors' report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major Federal programs:
 Disaster Grants - Public Assistance CFDA Number
 97.036

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditor qualified as low risk auditee? No

Section II- Financial Statement Findings

No matters are reported.

Section III- Federal Awards Findings and Questioned Costs

No matters are reported.

City of Flagler Beach, Florida
Summary Schedule of Prior Year Findings
For the Year Ended September 30, 2019

There were no prior year findings.



**MANAGEMENT LETTER OF INDEPENDENT AUDITORS
REQUIRED BY CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commissioners, and City Manager of the City of Flagler Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Flagler Beach, Florida (City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 30, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements.

This information is disclosed in Note 1-A in the Financial Statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

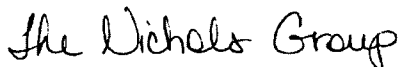
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Honorable Mayor, City Commissioners, and City Manager of the City, and is not intended to be and should not be used by anyone other than these specified parties.



The Nichols Group, P.A.
Certified Public Accountants
Fleming Island, Florida

June 30, 2020



**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES**

To the Honorable Mayor, City Commissioners, and City Manager of
the City of Flagler Beach, Florida

Report on Compliance

We have examined the City of Flagler Beach, Florida's (City) compliance with the requirements of Section 218.415, Florida Statutes, as and for the year ended September 30, 2019, as required by Section 10.556(10)(a), Rules of the Auditor General. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Scope

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the honorable Mayor, City Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

The Nichols Group

The Nichols Group, P.A.
Certified Public Accountants
Fleming Island, Florida

June 30, 2020

ATTACHMENT 6

CITY OF FLAGLER BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**CITY OF FLAGLER BEACH, FLORIDA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Flagler Beach, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Prior Period Adjustments

As a result of 2019 financial statement corrections, the City reported a restatement of the beginning net position is Governmental Activities, Business-Type Activities, Water & Sewer Fund, and Stormwater Fund, as described in Note 14 to the financial statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

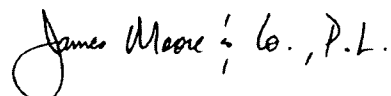
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
July 27, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Flagler Beach, Florida (hereinafter referred to as the "City") offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2020. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$51,629,158 (net position). Of this amount, \$11,537,125 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,161,475 in fiscal year 2020, after restatements to beginning net position. Net position of the City's governmental activities increased (decreased) by \$647,891, while net position of its business type activities increased (decreased) by \$2,513,584.
- The City's governmental funds reported a combined ending fund balance of \$7,955,540 at the end of the current fiscal year, which increased (decreased) by \$728,568 in comparison to the \$7,226,972 reported at the end of the prior fiscal year. Approximately \$5,094,641 of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2020 fiscal year, unassigned fund balance for the General Fund was \$5,094,641 or 73% of the total fiscal year 2020 General Fund expenditures of \$6,947,075.
- The City's total long-term debt obligations decreased approximately \$400,000 during the fiscal year, due to standard payments on long-term debt, offset by the issuance of new state revolving fund loans of \$178,481. The City's combined long-term commitment for compensated absences totaled \$284,430 at year-end.

Overview of the Financial Statements

The City's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including various pension-related schedules.

Management's discussion and analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, as well as other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods, and an economic resources focus, as utilized by similar business activities in the private sector. Information concerning the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are

fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the City's water and sewer utility system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plans for the City's police officers and firefighters), to whom the resources in question belong.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of its fiscal year, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government services, public safety (police, fire, and building inspection), roads and streets, physical environment (Community Redevelopment Agency), and culture and recreation. The business-type activities of the City include its water and sewer utility, stormwater utility, sanitation, and pier activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 15 and 17.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and community redevelopment fund both of which are considered to be major funds.

Proprietary Funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The City's enterprise funds (water and sewer utility, stormwater utility, pier, and sanitation) are the items included in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data. The basic proprietary fund financial statements can be found on pages 18 to 20 of this report.

Fiduciary Funds. Funds held in trust on behalf of the City's defined benefit pension plans, which account for the plan contribution activity, investment income, and benefit payments to retirees. The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined total assets exceeded liabilities (net position) by \$51,629,158 at the end of 2020, compared to \$48,279,608 at the end of 2019. This represents a total increase of \$3,780,508 or 7.8% from the amount reported at the end of the prior fiscal year.

The following is a summary of net position at year end:

Net Position
September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 8,423,537	\$ 7,685,136	\$ 11,173,795	\$ 11,310,404	\$ 19,597,332	\$ 18,995,540
Net pension asset	530,127	309,008	-	-	530,127	309,008
Capital assets	9,147,309	9,129,206	29,479,651	26,940,257	38,626,960	36,069,463
Total assets	\$ 18,100,973	\$ 17,123,350	\$ 40,653,446	\$ 38,250,661	\$ 58,754,419	\$ 55,374,011
DEFERRED OUTFLOWS	\$ 724,813	\$ 729,457	\$ 5,641	\$ -	\$ 730,454	\$ 729,457
LIABILITIES						
Current liabilities	\$ 612,302	\$ 458,164	\$ 878,185	\$ 628,359	\$ 1,490,487	\$ 1,086,523
Noncurrent liabilities:	1,347,583	1,311,328	4,543,945	4,898,929	5,891,528	6,210,257
Total liabilities	\$ 1,959,885	\$ 1,769,492	\$ 5,422,130	\$ 5,527,288	\$ 7,382,015	\$ 7,296,780
DEFERRED INFLOWS	\$ 473,700	\$ 339,005	\$ -	\$ -	\$ 473,700	\$ 339,005
NET POSITION						
Net investment in capital assets	\$ 8,437,629	\$ 8,391,866	\$ 25,202,928	\$ 22,224,520	\$ 33,640,557	\$ 30,616,386
Restricted	2,364,195	1,260,448	4,087,281	4,122,073	6,451,476	5,382,521
Unrestricted	5,590,377	6,091,996	5,946,748	6,376,780	11,537,125	12,468,776
Total net position	\$ 16,392,201	\$ 15,744,310	\$ 35,236,957	\$ 32,723,373	\$ 51,629,158	\$ 48,467,683

The most significant component of the City's net position (approximately 65%) is, by far, its investment in capital assets (land, infrastructure, buildings, and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (12%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 22% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled \$11,537,125 at year-end, compared to \$12,468,776 in 2019. The main reason for the decrease from prior year is related to increases in Net investment in capital assets and Restricted net position classifications.

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2020, total revenues were \$16,461,769 compared to \$15,109,892 in the prior year. Approximately 25% of the City's revenue came from property taxes, 10% from other taxes and fees, 43% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues.

During 2020, expenses were \$13,300,294 as opposed to \$11,676,885 in the prior year, for an increase of approximately 14%. Governmental Funds experienced an increase of \$818,419 in total expenditures for the year, over \$430,000 (more than 50%) of the additional expense in the Governmental Funds was related to the COVID 19 Pandemic, providing Public Safety for our residents and our employees during this unprecedented time. The City also spent \$366,000 on repairs to our Dune Walkovers related to Hurricane Matthew. Business Type expenditures increased \$804,990. The City has several large Utility Projects in process, and the Waste Water Treatment Plant, Slip Lining of Sewer Lines and Stormwater Improvements made up most of the increase.

The following is a summary of changes in net position at year end:

**Changes in Net Position
For the Fiscal Years Ended September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Property taxes	\$ 4,134,768	\$ 3,592,605	\$ -	\$ -	\$ 4,134,768	\$ 3,592,605
Other taxes and fees	1,574,599	1,554,198	-	-	1,574,599	1,554,198
Charges for services	464,748	434,285	6,529,599	6,257,937	6,994,347	6,692,222
Intergovernmental and grants	1,573,458	1,235,001	1,713,330	1,391,553	3,286,788	2,626,554
Other revenues	167,883	282,946	303,384	361,367	471,267	644,313
Total revenues	<u>7,915,456</u>	<u>7,099,035</u>	<u>8,546,313</u>	<u>8,010,857</u>	<u>16,461,769</u>	<u>15,109,892</u>
EXPENSES						
General government	2,348,797	2,327,277	-	-	2,348,797	2,327,277
Public safety	3,803,822	3,021,618	-	-	3,803,822	3,021,618
Roads and streets	418,941	397,147	-	-	418,941	397,147
Physical environment - CRA	98,836	102,706	-	-	98,836	102,706
Culture and recreation	579,640	580,688	-	-	579,640	580,688
Water and sewer	-	-	3,797,198	3,151,769	3,797,198	3,151,769
Stormwater	-	-	1,336,783	1,154,320	1,336,783	1,154,320
Sanitation	-	-	233,132	242,300	233,132	242,300
Pier	-	-	547,080	544,311	547,080	544,311
Interest expense	17,529	19,710	118,536	135,039	136,065	154,749
Total expenses	<u>7,267,565</u>	<u>6,449,146</u>	<u>6,032,729</u>	<u>5,227,739</u>	<u>13,300,294</u>	<u>11,676,885</u>
Change in net position	647,891	649,889	2,513,584	2,783,118	3,161,475	3,433,007
Net position, beginning of year, as restated	15,744,310	15,094,421	32,723,373	29,940,255	48,467,683	45,034,676
Net position, end of year	<u>\$ 16,392,201</u>	<u>\$ 15,744,310</u>	<u>\$ 35,236,957</u>	<u>\$ 32,723,373</u>	<u>\$ 51,629,158</u>	<u>\$ 48,467,683</u>

*2020 beginning of year net position amounts have been restated. 2019 amounts are shown as restated from the prior year financial statements.

Governmental Activities

Revenues for the City's governmental activities totaled \$7,915,456 in 2020. This represents an increase of almost \$1 million more than last year's reported revenues of \$7,099,035, and is primarily related to the FEMA reimbursement related to Hurricane Michael and reimbursement from the CARES Act for COVID 19 Pandemic.

Governmental activities expenses totaled \$7,267,565, which increased about \$800 thousand from the prior year due to the impacts of Hurricane Michael and the pandemic.

Business-Type Activities

The major source of operating revenues for the City's business-type activities is charges for services (water and sewer, stormwater, sanitation, and pier), which during the year increased to a total of about \$300,000 more than the charges for services of \$6,257,937 in 2019.

Total operating expenses of the proprietary funds fund in 2020 and totaled \$5,914,193, compared to \$5,092,700 in 2019, an increase of over \$800,000, primarily due to increased Capital Projects in Utilities and Stormwater Funds.

Financial Analysis of the City's Funds

As stated previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental funds reported a combined fund balance of \$7,955,540, which was an increase (decrease) of \$728,568 compared with the amount reported last year. This increase was primarily related to reimbursements relative to disaster recovery expenditures related to Hurricane Michael and funds received for First Responders salaries from the CARES Act for their service during the pandemic.

The general fund is the chief operating fund of the City. As of September 30, 2020, the unassigned fund balance in the general fund totaled \$6,288,507. This unassigned fund balance represents approximately 73% of the City's spending requirements experienced during 2020.

The City's community redevelopment fund had a fund balance of \$287,285 at the end of the year, an increase of \$75,146 from the prior year. All amount held in this fund are restricted for reinvestment in the community redevelopment district.

Proprietary Fund. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Charges for services in the proprietary funds increased \$275,662 from the prior year due to a 12.5% increase in Water and Sewer base fees.

General Fund Budgetary Highlights

The intergovernmental revenues brought in about \$400,000 more than originally budgeted as a result of the CARES Act funding allocated to the City.

The City recognized federal grant revenues from Hurricane Michael, primarily related to expenditures for the City's Dune Walkovers project, and will offset current year expenditures of \$327,325. Other factors include an additional \$154,550 in collections of ad valorem and sales and use taxes; and an additional \$48,016 in Miscellaneous Revenue due to higher interest earnings.

All of these factors combined resulted in \$653,422 increase to General Fund Balance for Fiscal Year 2020.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2020, the City had nearly \$39 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. See Note (6) for further information on the City's capital assets.

Long-Term Debt. The City has various notes and bonds payable totaling \$4,535,015 at year-end, compared to \$4,180,156 one year earlier. The proceeds of these loans, which were drawn in increments over various preceding years, were to fund utility projects as well as refund prior bonds and notes payable. Under these agreements, the City must repay these loans with semiannual payments.

More detailed information about the City's long-term debt is presented in Note (9) to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- Due to the COVID-19 pandemic budget forecasts for fiscal 2020 are in flux.
- Unemployment continued to rise; many residents were unemployed; this was considered by the City Commission with the intent to return to rollback rate of 5.2850 to help offset some of the hardships brought by the pandemic.
- Flagler Beach's economy thrives on tourism; with the direct impact of the pandemic in 2020, many of our local businesses have struggled and some have had to close. This was considered during budgeting for Utility Revenues
- Development on the John Anderson Corridor, which is located in unincorporated Flagler County is underway, the City provides water and sewer to this area per an Interlocal Agreement with Flagler County.

In summary, the City's financial position was strained by the uncertainty of the pandemic and the impact it had on the overall United States economy. However, despite these conditions, the economic and financial condition of the city remains strong due to grants, increased governmental revenues and charges for services delivered

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the City of Flagler Beach, Finance Department Director, 105 South Second Street, Flagler Beach, FL 32136. Information can also be obtained at the City's website at www.cityofflaglerbeach.com.

ATTACHMENT 6

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 6,512,404	\$ 6,410,747	\$ 12,923,151
Receivables, net	145,404	765,080	910,484
Internal balances	505,743	(505,743)	-
Due from other governments	1,258,262	274,215	1,532,477
Special assessments receivable - restricted	-	146,172	146,172
Prepays	1,724	123,572	125,296
Restricted assets:			
Cash and cash equivalents	-	103,399	103,399
Investments	-	3,856,353	3,856,353
Net pension asset	530,127	-	530,127
Capital assets:			
Capital assets, not being depreciated	2,740,325	3,763,474	6,503,799
Other capital assets, net of depreciation	6,406,984	25,716,177	32,123,161
Total assets	<u>18,100,973</u>	<u>40,653,446</u>	<u>58,754,419</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	715,578	-	715,578
Deferred outflows related to OPEB	9,235	5,641	14,876
Total deferred outflows	<u>724,813</u>	<u>5,641</u>	<u>730,454</u>
LIABILITIES			
Accounts payable and accrued liabilities	417,611	651,644	1,069,255
Customer deposits	-	207,898	207,898
Unearned revenue	50,386	-	50,386
Accrued interest payable	8,260	18,643	26,903
Noncurrent liabilities:			
Due within one year:			
Notes payable	58,000	419,289	477,289
Capital lease payable	4,375	141,440	145,815
Compensated absences	73,670	42,238	115,908
Due in more than one year:			
Notes payable	595,000	3,462,726	4,057,726
Capital lease payable	6,182	253,268	259,450
Compensated absences	105,101	63,421	168,522
Total OPEB liability	264,475	161,563	426,038
Net pension liability	376,825	-	376,825
Total liabilities	<u>1,959,885</u>	<u>5,422,130</u>	<u>7,382,015</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	473,700	-	473,700
NET POSITION			
Net investment in capital assets	8,437,629	25,202,928	33,640,557
Restricted for:			
Infrastructure - capital assets and firetruck	1,451,280	4,002,525	5,453,805
Pensions	483,840	-	483,840
Law enforcement	12,792	-	12,792
Building department	128,998	-	128,998
Community redevelopment	287,285	-	287,285
Debt service	-	84,756	84,756
Unrestricted	5,590,377	5,946,748	11,537,125
Total net position	<u>\$ 16,392,201</u>	<u>\$ 35,236,957</u>	<u>\$ 51,629,158</u>

The accompanying notes to financial statements are an integral part of this statement.

ATTACHMENT 6

**CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,348,797	\$ 102,773	\$ 399,773	\$ -	\$ (1,846,251)	\$ -	\$ (1,846,251)
Public safety	3,803,822	339,714	881,633	-	(2,582,475)	-	(2,582,475)
Physical environment - CRA	98,836	-	-	-	(98,836)	-	(98,836)
Roads and streets	418,941	-	192,668	-	(226,273)	-	(226,273)
Culture and recreation	579,640	22,261	-	-	(557,379)	-	(557,379)
Interest on long-term debt	17,529	-	-	-	(17,529)	-	(17,529)
Total governmental activities	7,267,565	464,748	1,474,074	-	(5,328,743)	-	(5,328,743)
Business-type activities:							
Water and sewer	3,877,000	4,651,055	3,254	1,076,946	-	1,854,255	1,854,255
Sanitation	1,348,992	1,207,649	41,617	-	-	(99,726)	(99,726)
Stormwater	259,657	469,016	-	500,000	-	709,359	709,359
Pier	547,080	294,319	91,513	-	-	(161,248)	(161,248)
Total business-type activities	6,032,729	6,622,039	136,384	1,576,946	-	2,302,640	2,302,640
Total primary government	\$ 13,300,294	\$ 7,086,787	\$ 1,610,458	\$ 1,576,946	(5,328,743)	2,302,640	(3,026,103)
General revenues:							
Property taxes					4,134,768	-	4,134,768
Sales taxes					172,281	-	172,281
Infrastructure surtax					180,523	-	180,523
Communications service tax					183,954	-	183,954
Public service taxes					731,305	-	731,305
Franchise fees					306,536	-	306,536
State revenue sharing					99,384	-	99,384
Investment earnings					141,646	210,944	352,590
Miscellaneous revenues					26,237	-	26,237
Total general revenues and transfers					5,976,634	210,944	6,187,578
Change in net position					647,891	2,513,584	3,161,475
Net position - beginning of year, as restated					15,744,310	32,723,373	48,467,683
Net position - ending of year					\$ 16,392,201	\$ 35,236,957	\$ 51,629,158

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF FLAGLER BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General</u>	<u>Community Redevelopment</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 6,213,428	\$ 298,976	\$ 6,512,404
Receivables, net	145,404	-	145,404
Due from other governments	1,258,262	-	1,258,262
Due from other funds	14,913	962	15,875
Prepaid items	1,724	-	1,724
Advances to other funds	496,144	-	496,144
Total assets	<u>\$ 8,129,875</u>	<u>\$ 299,938</u>	<u>\$ 8,429,813</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 410,170	\$ 7,441	\$ 417,611
Unearned revenue	50,386	-	50,386
Due to other funds	1,064	5,212	6,276
Total liabilities	<u>461,620</u>	<u>12,653</u>	<u>474,273</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	1,724	-	1,724
Advances to other funds	496,144	-	496,144
Restricted for:			
Law enforcement	12,792	-	12,792
A1A land purchases	18,490	-	18,490
Infrastructure - capital assets	1,126,031	-	1,126,031
Infrastructure - fire truck	306,759	-	306,759
Building department	128,998	-	128,998
Community redevelopment projects	-	287,285	287,285
Assigned to:			
Beach related purchases	13,188	-	13,188
Subsequent year's budget	469,488	-	469,488
Unassigned	5,094,641	-	5,094,641
Total fund balances	<u>7,668,255</u>	<u>287,285</u>	<u>7,955,540</u>
Total liabilities and fund balances	<u>\$ 8,129,875</u>	<u>\$ 299,938</u>	<u>\$ 8,429,813</u>

The accompanying notes to financial statements are an integral part of this statement.

ATTACHMENT 6

**CITY OF FLAGLER BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Fund balances - total governmental funds		\$ 7,955,540
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>		
Total governmental capital assets	17,751,836	
Less: accumulated depreciation	<u>(8,604,527)</u>	9,147,309
<p>On the governmental fund statements, a net pension asset (liability) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension asset (liability) of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.</p>		
Net pension liability	(376,825)	
Net pension asset	530,127	
Deferred outflows related to pensions	715,578	
Deferred inflows related to pensions	<u>(473,700)</u>	395,180
<p>On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows related to OPEB are also reported.</p>		
Total OPEB liability	(264,475)	
Deferred outflows related to OPEB	<u>9,235</u>	(255,240)
<p>Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:</p>		
Bonds and notes payable	(653,000)	
Capital leases payable	(10,557)	
Accrued interest payable	(8,260)	
Compensated absences	<u>(178,771)</u>	(850,588)
Net position of governmental activities		<u><u>\$ 16,392,201</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>Community Redevelopment</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 5,091,535	\$ 311,296	\$ 5,402,831
Permits and fees	720,885	-	720,885
Intergovernmental	1,561,511	-	1,561,511
Charges for services	9,274	-	9,274
Fines and forfeitures	32,864	-	32,864
Investment income	141,646	-	141,646
Miscellaneous	37,482	-	37,482
Total revenues	<u>7,595,197</u>	<u>311,296</u>	<u>7,906,493</u>
Expenditures			
Current:			
General government	1,813,274	-	1,813,274
Public safety	3,538,417	-	3,538,417
Roads and streets	399,461	-	399,461
Physical environment	-	98,836	98,836
Culture and recreation	502,183	-	502,183
Capital outlay	688,693	128,460	817,153
Debt service:			
Principal retirement	4,632	-	4,632
Interest and fiscal charges	415	8,854	9,269
Total expenditures	<u>6,947,075</u>	<u>236,150</u>	<u>7,183,225</u>
Excess (deficiency) of revenues over expenditures	<u>648,122</u>	<u>75,146</u>	<u>723,268</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	5,300	-	5,300
Net change in fund balances	<u>653,422</u>	<u>75,146</u>	<u>728,568</u>
Fund balances, beginning of year	7,014,833	212,139	7,226,972
Fund balances, end of year	<u>\$ 7,668,255</u>	<u>\$ 287,285</u>	<u>\$ 7,955,540</u>

The accompanying notes to financial statements are an integral part of this statement.

ATTACHMENT 6

**CITY OF FLAGLER BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds	\$	728,568
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		817,153
Depreciation expense		(799,050)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Principal repayment of general long-term debt and capital leases payable		4,632
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.		
Change in net pension asset/liability and deferred inflows/outflows related to pensions		(27,593)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:		
Change in accrued interest on long-term debt		(8,260)
Change in compensated absences liability		(43,703)
Change in total OPEB liability and deferred outflows related to OPEB		(23,856)
Change in net position of governmental activities	\$	<u>647,891</u>

The accompanying notes to financial statements are an integral part of this statement.

ATTACHMENT 6

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds				Total
	Water and Sewer	Sanitation	Stormwater	Pier	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,547,451	\$ 265,913	\$ 315,612	\$ 2,652	\$ 2,131,628
Investments	3,079,782	1,097,216	102,121	-	4,279,119
Accounts receivable, net	602,227	112,093	43,370	7,390	765,080
Due from other governments	178,481	4,880	-	90,854	274,215
Prepaid items	-	-	-	123,572	123,572
Due from other funds	9	29,966	12,009	61	42,045
Restricted current assets					
Cash and cash equivalents	100,250	3,149	-	-	103,399
Total current assets	5,508,200	1,513,217	473,112	224,529	7,719,058
Noncurrent assets:					
Restricted investments	3,856,353	-	-	-	3,856,353
Special assessments receivable - restricted	146,172	-	-	-	146,172
Capital assets:					
Capital assets, not being depreciated	1,791,686	-	1,791,265	180,523	3,763,474
Other capital assets, net of depreciation	19,442,468	811,593	4,388,039	1,074,077	25,716,177
Total noncurrent assets	25,236,679	811,593	6,179,304	1,254,600	33,482,176
Total assets	30,744,879	2,324,810	6,652,416	1,479,129	41,201,234
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to OPEB	4,173	1,072	203	193	5,641
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	505,340	44,670	88,553	13,081	651,644
Deposits	198,898	-	-	9,000	207,898
Due to other funds	48,544	3,100	-	-	51,644
Compensated absences	31,632	6,773	1,240	2,593	42,238
Payable from restricted assets:					
Current maturities of capital lease payable	8,749	128,316	4,375	-	141,440
Current maturities on long-term debt	419,289	-	-	-	419,289
Accrued interest payable	15,494	3,149	-	-	18,643
Total current liabilities	1,227,946	186,008	94,168	24,674	1,532,796
Noncurrent liabilities:					
Notes payable	2,522,726	-	940,000	-	3,462,726
Capital lease payable	12,366	234,719	6,183	-	253,268
Advances from other funds	-	-	-	496,144	496,144
Compensated absences	49,114	6,320	3,161	4,826	63,421
Total OPEB liability	119,512	30,708	5,810	5,533	161,563
Total noncurrent liabilities	2,703,718	271,747	955,154	506,503	4,437,122
Total liabilities	3,931,664	457,755	1,049,322	531,177	5,969,918
NET POSITION					
Net investment in capital assets	18,271,024	448,558	5,228,746	1,254,600	25,202,928
Restricted for debt service	84,756	-	-	-	84,756
Restricted for capital expansion	4,002,525	-	-	-	4,002,525
Unrestricted	4,459,083	1,419,569	374,551	(306,455)	5,946,748
Total net position	\$ 26,817,388	\$ 1,868,127	\$ 5,603,297	\$ 948,145	\$ 35,236,957

The accompanying notes to financial statements are an integral part of this statement.

ATTACHMENT 6

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds				Total
	Water & Sewer	Sanitation	Stormwater	Pier	
Operating revenues					
Charges for services	\$ 4,593,899	\$ 1,174,068	\$ 467,313	\$ 294,319	\$ 6,529,599
Other revenues	57,156	33,581	1,703	-	92,440
Total operating revenues	4,651,055	1,207,649	469,016	294,319	6,622,039
Operating expenses					
Personal services	1,489,044	427,697	82,183	145,223	2,144,147
Operating expenses	1,383,461	758,657	5,169	288,461	2,435,748
Depreciation	924,693	150,429	145,780	113,396	1,334,298
Total operating expenses	3,797,198	1,336,783	233,132	547,080	5,914,193
Operating income (loss)	853,857	(129,134)	235,884	(252,761)	707,846
Nonoperating revenues (expenses)					
Interest earnings	183,767	25,636	1,541	-	210,944
Intergovernmental grants	3,254	41,617	-	91,513	136,384
Interest and amortization expense	(79,802)	(12,209)	(26,525)	-	(118,536)
Total nonoperating revenues (expenses)	107,219	55,044	(24,984)	91,513	228,792
Income (loss) before contributions and transfers	961,076	(74,090)	210,900	(161,248)	936,638
Capital contributions	182,940	-	-	-	182,940
Capital grants	894,006	-	500,000	-	1,394,006
Transfers in	-	-	-	3,507	3,507
Transfers out	-	-	(3,507)	-	(3,507)
Change in net position	2,038,022	(74,090)	707,393	(157,741)	2,513,584
Net position, beginning of year, as restated	24,779,366	1,942,217	4,895,904	1,105,886	32,723,373
Net position, end of year	\$ 26,817,388	\$ 1,868,127	\$ 5,603,297	\$ 948,145	\$ 35,236,957

The accompanying notes to financial statements are an integral part of this statement.

ATTACHMENT 6

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds				Total
	Water & Sewer	Sanitation	Stormwater	Pier	
Cash flows from operating activities					
Cash received from customers	\$ 4,840,285	\$ 1,572,874	\$ 469,029	\$ 223,903	\$ 7,106,091
Cash paid to employees	(1,448,572)	(425,994)	(81,259)	(143,337)	(2,099,162)
Cash paid to suppliers	(1,080,843)	(819,859)	44,233	(328,398)	(2,184,867)
Net cash provided by (used in) operating activities	<u>2,310,870</u>	<u>327,021</u>	<u>432,003</u>	<u>(247,832)</u>	<u>2,822,062</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	-	3,507	3,507
Transfers to other funds	-	-	(3,507)	-	(3,507)
Intergovernmental grant proceeds	3,254	41,617	-	91,513	136,384
Interfund loans	(7,149)	9,718	902	321,939	325,410
Net cash provided by (used in) noncapital financing activities	<u>(3,895)</u>	<u>51,335</u>	<u>(2,605)</u>	<u>416,959</u>	<u>461,794</u>
Cash flows from capital and related financing activities					
Impact fees	182,940	-	-	-	182,940
Acquisition and construction of capital assets	(2,842,473)	(178,121)	(686,623)	(166,475)	(3,873,692)
Capital grants	894,006	-	500,000	-	1,394,006
Principal payments of long-term debt	(393,885)	(94,547)	(96,631)	-	(585,063)
Proceeds from issuance of long-term debt	-	-	-	-	-
Interest paid	(81,958)	(9,060)	(26,525)	-	(117,543)
Net cash provided by (used in) capital and related financing activities	<u>(2,241,370)</u>	<u>(281,728)</u>	<u>(309,779)</u>	<u>(166,475)</u>	<u>(2,999,352)</u>
Cash flows from investing activities					
Interest received	183,767	25,636	1,541	-	210,944
Purchases of investments	(416,496)	(31,654)	(1,197)	-	(449,347)
Net cash provided by (used in) investing activities	<u>(232,729)</u>	<u>(6,018)</u>	<u>344</u>	<u>-</u>	<u>(238,403)</u>
Net change in cash and cash equivalents	<u>(167,124)</u>	<u>90,610</u>	<u>119,963</u>	<u>2,652</u>	<u>46,101</u>
Cash and cash equivalents, beginning of year	1,814,825	178,452	195,649	-	2,188,926
Cash and cash equivalents, end of year	<u>\$ 1,647,701</u>	<u>\$ 269,062</u>	<u>\$ 315,612</u>	<u>\$ 2,652</u>	<u>\$ 2,235,027</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 1,547,451	\$ 265,913	\$ 315,612	\$ 2,652	\$ 2,131,628
Restricted	100,250	3,149	-	-	103,399
Total cash and cash equivalents	<u>\$ 1,647,701</u>	<u>\$ 269,062</u>	<u>\$ 315,612</u>	<u>\$ 2,652</u>	<u>\$ 2,235,027</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 853,857	\$ (129,134)	\$ 235,884	\$ (252,761)	\$ 707,846
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	924,693	150,429	145,780	113,396	1,334,298
Changes in assets and liabilities:					
Accounts receivable	143,086	(2,364)	13	(7,240)	133,495
Due from other governments	(2,909)	367,589	-	(63,176)	301,504
Special assessments receivable	57,726	-	-	-	57,726
Prepaid items	1,716	-	-	(9,313)	(7,597)
Accounts payable and accrued liabilities	300,902	(61,202)	49,402	(30,624)	258,478
Deposits	(8,673)	-	-	-	(8,673)
Compensated absences	22,629	2,644	1,934	1,110	28,317
Total OPEB liability	17,843	(941)	(1,010)	776	16,668
Net cash provided by (used in) operating activities	<u>\$ 2,310,870</u>	<u>\$ 327,021</u>	<u>\$ 432,003</u>	<u>\$ (247,832)</u>	<u>\$ 2,822,062</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020**

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents with trustee	<u>\$ 169,911</u>
Receivables	
Employer contributions receivable	1,975
State premium taxes	245
Total receivables	<u>2,220</u>
Investments, at fair value	
Mutual funds - equity	3,931,924
Mutual funds - fixed income	2,647,132
Total investments	<u>6,579,056</u>
Total assets	<u>6,751,187</u>
LIABILITIES	
Accounts payable	13,663
NET POSITION	
Restricted for pensions	<u><u>\$ 6,737,524</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 223,192
Plan members	121,141
State - insurance premium taxes	105,576
Total contributions	<u>449,909</u>
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	550,952
Interest and dividends	124,778
Total investment earnings	<u>675,730</u>
Less: investment expense	<u>(24,500)</u>
Net investment income (loss)	651,230
Total additions	<u>1,101,139</u>
Deductions	
Benefit payments and refunds	271,198
Administrative expenses	67,284
Total deductions	<u>338,482</u>
Change in net position	<u>762,657</u>
Net position restricted for pensions, beginning of year	5,974,867
Net position restricted for pensions, end of year	<u><u>\$ 6,737,524</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Flagler Beach, Florida (the City), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City of Flagler Beach (City), Florida, Flagler County (County), a political subdivision incorporated in 1946, under the authority of Chapter 165 *Florida Statutes*, was established by Chapter 11.481 Laws of Florida Acts of 1925. The City operates under a Commission-Manager form of government and provides the following services, as authorized by the City Charter: public safety (police, fire, and building departments), highways and streets, culture/recreation, public improvements, planning and zoning, and general government services. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financial accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and so, data from these units are combined with the data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The City has no discretely presented component units to report.

(b) **Blended component units**—The City has one blended component units, as follows:

The Flagler Beach Community Redevelopment Agency (the CRA) is operated by the City. The CRA was created by City Ordinance 95-24 and 97-21 pursuant to Florida Statute 163.387, for the purpose of rehabilitation, conservation and redevelopment of specific downtown areas of the City. Since the City is financially accountable for the activities of the CRA, its governing commission is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a major special revenue fund.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(1) **Summary of Significant Accounting Policies:** (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(d) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, certain expenditures relating to future periods, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(1) **Summary of Significant Accounting Policies:** (Continued)

The Flagler Beach Community Redevelopment Agency Fund—The City's special revenue fund. It accounts for revenue sources that are legally restricted to expenditures for the CRA.

The City reports the following major proprietary funds:

Water and Sewer Fund—The Water and Sewer Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water.

Sanitation Fund—The Sanitation Fund accounts for the costs and recovery of costs in the form of user charges related to the collection, treatment and disposal of sewage waste with the City.

Stormwater Fund—The Stormwater Fund accounts for the collection of drainage fees utilized for the expansion and maintenance of drainage facilities.

Pier Fund—The Pier Fund accounts for the operations and maintenance of the City pier.

Additionally, the City reports the following fund types:

Pension Trust Funds—The Pension Trust Funds account for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Municipal Police Officers' Retirement Trust Fund and the Municipal Firefighters' Pension Trust Fund.

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. On or before July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is made available to the public.
- iv. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers.
- vii. Budgetary control is exercised at the department level.
- viii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the City Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The general and special revenue funds have legally adopted budgets.

The budgets for proprietary funds that were either adopted or amended during the year by the City Commission were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The water, sewer, sanitation, and stormwater funds also have legally adopted annual budgets.

(f) **Deposits and investments**—The City's cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The City has adopted the reporting required by Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investments including investments in the City's fiduciary funds are recorded at fair value based on quoted market values, except for the City's investments in the Florida PRIME portion of the State Investment Pool, which are reported at amortized cost, which approximates fair value.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

(h) **Prepaid items**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(i) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15 – 50 years
Improvements	10 – 50 years
Machinery and equipment	5 – 15 years
Infrastructure	40 years

(j) **Compensated absences**—The City reports compensated absences in the applicable governmental or business-type activity columns in the governmental-wide financial statements. The portion of employee payroll costs paid subsequent to year end attributable to services performed prior to year end and accumulated unpaid vacation, sick leave, and personal leave is recorded and recognized as a current liability. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Original issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(l) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes based on actions taken by the City Commission through ordinance.

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by City Commission or by an official or body which the City Commission delegates authority.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available; the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally, unassigned funds, as needed.

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items, deferred outflows related to pensions and OPEB in the proprietary funds and government-wide statement of net position, which qualify for reporting in this category. Deferred outflows related to pensions are discussed further in Note (13) and deferred outflows related to OPEB are discussed further in Note (12).

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(1) **Summary of Significant Accounting Policies:** (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items, deferred inflows related to pensions and OPEB in the proprietary funds and government-wide statement of net position, which qualify for reporting in this category. Deferred inflows related to pensions are discussed further in Note (13) and deferred inflows related to OPEB are discussed further in Note (12).

(n) **Property taxes**—Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	June 1
Levy date	November 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(o) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City’s policy to consider restricted net position to have been used before unrestricted net position is applied.

(p) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(3) Deposits and Investments:

The City's investment policies are governed by Chapter 280 and 218, Florida Statutes. For all investments authorized by statute the City applies the "Prudent Person" standard when developing investment strategies. The basic allowable investment instruments are as follows:

The Local Government Surplus Trust Funds or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency

Interest bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280, Florida Statutes

Direct obligations of the United States Treasury

Deposits include cash on hand and amounts held in the City's demand accounts. At September 30, 2020, the carrying amount of the City's deposits was \$1,353,727. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listing in Florida Statutes, Section 218.415.

Custodial Credit Risk—Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act*, the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Chief Financial Officer (CFO) as eligible to receive deposits from municipal depositories. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State CFO to secure such deposits. Additional

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(3) **Deposits and Investments:** (Continued)

collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State CFO's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State CFO.

The City invests temporarily idle resources in the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida Prime Investment Pool, who provides regulatory oversight. Florida Prime Investment Pool (Florida PRIME) is similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds' executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

The City has investments in Florida Municipal Investment Trust (FMIT). The FMIT is an external pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The FMIT is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. Participants in the FMIT are limited to governmental entities in the State of Florida. The FMIT has adopted GASB Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and the fair value of the City's position in the FMIT is the same as the fair value of the FMIT shares. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines, which recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the City's cash and investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels as of September 30, 2020:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating (Fitch)</u>	<u>Fair Value Hierarchy Classification</u>
Pooled Funds – 0-2 Year High Quality Bond Fund	\$ 2,688,879	0.70	AAAf/S1	Level 2
Pooled Funds – 1-3 Year High Quality Bond Fund	3,720,496	1.60	AAAf/S2	Level 2
Pooled Funds – Intermediate High Quality Bond Fund	1,701,233	3.40	AAAf/S3	Level 2
Florida PRIME	7,318,318	48 days	AAA(S&P)	N/A
Cash and cash equivalents	1,453,977	N/A	NR	N/A
Total Portfolio	<u>\$ 16,882,903</u>			

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(3) **Deposits and Investments:** (Continued)

Pension Plan Investments

The City's Pension plans have adopted investment policies which authorizes the pension managers to invest in the following:

Police Plan—Money market accounts, fixed income investments rated “A” or better (10% individual issuer limitation), equities traded on a national stock exchange (5% issuer limitation), and pooled funds such as mutual funds and ETFs.

Fire Plan—Money market accounts, fixed income investments rated “A” or better (10% individual issuer limitation), equities traded on a national stock exchange (5% issuer limitation), and pooled funds such as mutual funds and ETFs.

The pension plans measure and record investments using fair value measurement guidelines utilizing the same three-tiered fair value hierarchy as the City.

The following is a description of the valuation techniques used for assets measured at fair value:

Corporate and Municipal Debt Obligations—Valued based on face value of the instruments adjusted for inflation and interest maturities.

Corporate and Equity Securities—Valued at fair value based on quoted market prices at year end.

Mutual Funds (fixed income and equity)—Valued based on face value of the instruments adjusted for inflation and interest maturities.

Real Estate Funds—Valued based upon the underlying investments' most recent audited financial statements.

A summary of investments held at fair value as of September 30, 2020, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Investments, at fair value		
Corporate equity securities	\$ 3,931,924	\$ 3,931,924
Mutual funds - fixed income	<u>2,647,132</u>	<u>2,647,132</u>
Total investments	<u>\$ 6,579,056</u>	<u>\$ 6,579,056</u>

The pension plans also held a total of \$169,911 of cash and cash equivalents held in the pension trust funds.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The City's investment policy requires diversifying investments to control the risk of loss resulting from over-concentrations of assets in a specific maturity.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(3) **Deposits and Investments:** (Continued)

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies and credit rating limitations are in place through the plan investment policies. All investments rated within the investment policy guidelines at September 30, 2020.

Concentration of Credit Risk: The City's pension plans have varying limitations on investment in single-issuers as discussed in the authorized investments note. At September 30, 2020, the investment portfolios met the single issuer limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to 25% percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At September 30, 2020, the investment portfolios met the foreign securities limitations.

(4) **Accounts Receivable:**

The City's receivables consisted of the following at September 30, 2020:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund	\$ 148,146	\$ (2,742)	\$ 145,404
Community Redevelopment Agency Fund	-	-	-
Total – Governmental Activities	<u>148,146</u>	<u>(2,742)</u>	<u>145,404</u>
Business-Type Activities:			
Water and Sewer Fund	550,204	(92,278)	602,227
Sanitation Fund	125,757	(13,664)	112,093
Stormwater Fund	48,686	(5,316)	43,370
Pier Fund	7,390	-	7,390
Totals – Business-Type Activities	<u>598,890</u>	<u>(111,258)</u>	<u>765,080</u>
Totals	<u>\$ 880,183</u>	<u>\$ (114,000)</u>	<u>\$ 910,484</u>

In addition to accounts receivable, the City also recorded \$1,532,477 in due from other governments at September 30, 2020, of which \$397,502 consists of Federal and State reimbursements related to Hurricanes Matthew, Irma, and Dorian, which impacted the City in prior fiscal years. These amounts reflect management's best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

The City also recorded special assessments receivable of \$146,172, which represents the balance remaining as of September 30, 2020 on the financing by the property owners of the Morningside Subdivision for Sewer System Construction, which was completed during the year ended September 30, 2014, at an original amount financed totaling approximately \$630,000.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(4) Accounts Receivable: (Continued)

In fiscal year 2014, pursuant to Resolutions 2013-05 and 2014-11, the City levied a special assessment for certain benefiting property owners to fund sanitary sewer improvements in the Morningside subdivision. The sanitary sewer improvements were constructed by the City, which retained ownership of the improvements. Related to the special assessment, the City entered into agreements with the individual property owners in the Morningside subdivision under which the City has financed and will collect \$632,997 plus interest at 4.75% per annum from this special assessment to fund these improvements. At September 30, 2020, \$146,172 of the original principal portion of the special assessment is reported as Special assessments receivable – restricted, and \$7,054 was included with interest earnings in the Water & Sewer Fund.

(5) Interfund Loans and Transfers:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. The \$496,144 due from the Pier Fund to the General Fund is long-term in nature. At September 30, 2020, individual fund interfund receivables and payables for the primary government were comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund:		
Community Redevelopment Fund	\$ 5,212	\$ 962
Water and Sewer Fund	6,601	9
Sanitation Fund	3,100	32
Pier Fund	496,144	61
Community Redevelopment Fund:		
General Fund	962	5,212
Water and Sewer Fund:		
General Fund	9	6,601
Sanitation Fund	-	29,934
Stormwater Fund	-	12,009
Sanitation Fund:		
General Fund	32	3,100
Water and Sewer Fund	29,934	-
Stormwater Fund:		
Water and Sewer Fund	12,009	-
Pier Fund:		
General Fund	61	496,144
Total – All Funds	<u>\$ 554,064</u>	<u>\$ 554,064</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service funds to establish and maintain mandatory reserve and sinking fund accounts, (3) move revenues from proprietary fund operations to the general fund for payments in lieu of taxes, and (4) move unrestricted revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(5) Interfund Loans and Transfers: (Continued)

For the year ended September 30, 2020, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Business-type Activities:		
Stormwater Fund:		
Pier Fund	\$ -	\$ 3,507
Pier Fund:		
Stormwater Fund	3,507	-
	<u>3,507</u>	<u>3,507</u>
Totals – All Funds	<u>\$ 3,507</u>	<u>\$ 3,507</u>

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2020, is as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,167,123	\$ -	\$ -	\$ 2,167,123
Construction in progress	114,911	458,291	-	573,202
Total assets not being depreciated	<u>2,282,034</u>	<u>458,291</u>	<u>-</u>	<u>2,740,325</u>
Capital assets being depreciated:				
Buildings	3,028,114	-	(66,669)	2,961,445
Improvements	2,425,592	213,696	-	2,639,288
Machinery and equipment	3,285,596	211,835	(19,955)	3,477,476
Infrastructure	5,933,302	-	-	5,933,302
Total assets being depreciated	14,672,604	425,531	(86,624)	15,011,511
Less: accumulated depreciation	(7,825,432)	(799,050)	19,955	(8,604,527)
Total capital assets being depreciated, net	<u>6,847,172</u>	<u>(373,519)</u>	<u>(66,669)</u>	<u>6,406,984</u>
Governmental activities capital assets, net	<u>\$ 9,129,206</u>	<u>\$ 84,772</u>	<u>\$ (66,669)</u>	<u>\$ 9,147,309</u>

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(6) Capital Assets: (Continued)**Business-type activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,648,235	\$ -	\$ -	\$ 1,648,235
Construction in progress	253,781	1,861,458	-	2,115,239
Total assets not being depreciated	<u>1,902,016</u>	<u>1,861,458</u>	<u>-</u>	<u>3,763,474</u>
Capital assets being depreciated:				
Buildings	12,132,799	-	-	12,132,799
Improvements	20,661,940	1,175,220	-	21,837,160
Machinery and equipment	3,970,018	310,526	(209,715)	4,070,829
Infrastructure	4,648,698	558,920	-	5,207,618
Total assets being depreciated	41,413,455	2,044,666	(209,715)	43,248,406
Less: accumulated depreciation	(16,407,646)	(1,334,298)	209,715	(17,532,229)
Total capital assets being depreciated, net	<u>25,005,809</u>	<u>710,368</u>	<u>-</u>	<u>25,716,177</u>
Business-type activities capital assets, net	<u>\$ 26,907,825</u>	<u>\$ 2,571,826</u>	<u>\$ -</u>	<u>\$ 29,479,651</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 464,301
Public safety	237,812
Public works	19,480
Culture and recreation	77,457
Total depreciation expense - governmental activities	<u>\$ 799,050</u>

Business-type activities:

Water and Sewer	\$ 924,693
Sanitation	150,429
Stormwater	145,780
Pier	113,396
Total depreciation expense - business-type activities	<u>\$ 1,334,298</u>

(7) Operating Leases:

On October 30, 2007, the City renewed a submerged land lease agreement with the Florida Department of Environmental Protection for its Pier. The current lease term expires October 30, 2022. The annual lease payment paid was \$7,162 for the year ended September 30, 2020.

On August 30, 2011, the City entered into an operating lease agreement with a tenant to lease the restaurant portion of the Flagler Beach Municipal Pier. The original agreement was amended to provide for postponement of the Move-In Date to October 1, 2012, while the tenant completed necessary alterations to the leased premises prior to opening for business. Based on the terms of the agreement, the initial ten-year lease began on October 1, 2012, and is scheduled to expire on September 30, 2022, with an option to renew for three additional five-year periods provided the tenant is not in default of any term of the Lease. Annual rentals under the lease agreement include minimum monthly payments of approximately \$3,500, increased 3% per annum, plus an additional percentage rent equivalent to 3% of the tenant's gross sales in excess of \$1 million from the restaurant. During the year ended September 30, 2020, amounts received totaled \$98,170.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(7) Operating Leases: (Continued)

On November 20, 2015, the City entered into an operating lease agreement with Flagler Golf Management, LLC (lessee) to lease the Golf Course Property located at 3600 South Central Avenue. Based on the terms of the agreement, the initial fifteen year lease began in November 2015, and is scheduled to expire on September 30, 2022, with an option to extend for two successive ten year terms provided that lessee's average gross revenue, excluding lessons and pro shop revenue is at least \$200,000 per year for the five year period immediately preceding the last day of the Initial Lease Term or the first extension term, whichever is applicable. Annual rentals under the lease agreement include minimum monthly payments of approximately \$225, increased 3% per annum, plus an additional percentage rent equivalent to 3% of the lessee's gross revenue in excess of \$100,000 for any and all operations conducted on the Golf Course Property. During the year ended September 30, 2020, amounts received totaled \$2,701.

(8) Capital Leases:

The City has entered into various lease agreements to finance the purchases of machinery and equipment. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments. The machinery and equipment, which is included in capital assets, is summarized as follows:

Asset:		
Machinery and equipment	\$	753,682
Accumulated depreciation		<u>(221,026)</u>
Net book value of leased assets	\$	<u>532,656</u>

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Year Ending September 30,	Present Value of Net Minimum Payments	Amounts Representing Interest	Total Minimum Lease Payments
2021	\$ 145,815	\$ 10,375	\$ 156,190
2022	152,318	6,013	158,330
2023	107,132	1,548	108,680
Total	<u>\$ 405,265</u>	<u>\$ 17,936</u>	<u>\$ 423,200</u>

(9) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 653,000	\$ -	\$ -	\$ 653,000	\$ 58,000
Capital leases	15,189	-	(4,632)	10,557	4,375
Compensated absences	135,068	167,026	(123,323)	178,771	73,670
Total long-term liabilities	<u>\$ 803,257</u>	<u>\$ 167,026</u>	<u>\$ (127,955)</u>	<u>\$ 842,328</u>	<u>\$ 136,045</u>

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(9) **Long-Term Liabilities:** (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Notes payable	\$ 4,180,156	\$ 178,481	\$ (476,622)	\$ 3,882,015	\$ 419,289
Capital leases	503,149	-	(108,441)	394,708	141,440
Compensated absences	77,342	100,023	(71,706)	105,659	42,238
Total long-term liabilities	<u>\$ 4,760,647</u>	<u>\$ 278,504</u>	<u>\$ (656,769)</u>	<u>\$ 4,382,382</u>	<u>\$ 602,967</u>

Notes payable in the City's governmental activities at September 30, 2020, were comprised of the following obligations:

Refunding Revenue Note, Series 2015, issued to (1) refund the City's outstanding stormwater revenue note, series 2015, (2) refund the outstanding principal amount of the 2009 CRA Note, and (3) pay related costs of issuance. The series 2015 note is secured by the City's covenant to budget and appropriate from legally available non-ad valorem revenues of the City. The note is split 43% and 57% between governmental and business type activities, respectively. The interest rate is 2.53% and the note matures October 2029. Principal payments are due annually on October 1st and interest payments are due semiannually on October 1st and April 1st. The outstanding balance at September 30, 2020, was \$653,000.

Annual debt service requirements to maturity for the City's governmental activities notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 58,000	\$ 15,787	\$ 73,787
2022	60,000	14,295	74,295
2023	61,000	12,764	73,764
2024	63,000	11,195	74,195
2025	64,000	9,589	73,589
2026-2030	347,000	22,379	369,379
Total	<u>\$ 653,000</u>	<u>\$ 86,009</u>	<u>\$ 739,009</u>

Notes payable in the City's business-type activities at September 30, 2020, were comprised of the following obligations:

In January 2005, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$3,375,000 loan for a water treatment plant expansion project at an interest rate of 2.67% per year. In June 2006, the loan was amended to include an additional \$3,158,750 with an interest rate of 2.65%. In July 2007, the loan was amended to include an additional \$3,280,134 with an interest rate of 2.64%. The semi-annual payment is due January 15th and July 15th. The loan is collateralized by the pledged revenues of the water and sewer system and carries with it certain rate coverage requirements, which the City was in compliance with at September 30, 2020. The outstanding balance at September 30, 2020, was \$2,763,534 and the note matures in 2027.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(9) **Long-Term Liabilities:** (Continued)

Refunding Revenue Note, Series 2015, issued to (1) refund the City's outstanding stormwater revenue note, series 2015, (2) refund the outstanding principal amount of the 2009 CRA Note, and (3) pay related costs of issuance. The series 2015 note is secured by the City's covenant to budget and appropriate from legally available non-ad valorem revenues of the City. The note is split 43% and 57% between governmental and business type activities, respectively. The interest rate is 2.53% and the note matures October 2029. Principal payments are due annually on October 1st and interest payments are due semiannually on October 1st and April 1st. The outstanding balance at September 30, 2020, was \$940,000.

In July 2020, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$900,000 loan for design activities related to Wastewater Treatment Facility Construction, at an interest rate of .58% per year. The first semi-annual payment is due February 15, 2022. The loan is collateralized by the pledged revenues of the water and sewer system and carries with it certain rate coverage requirements, which the City was in compliance with at September 30, 2020. The outstanding balance at September 30, 2020, was \$178,481 and the note maturity is estimated to occur in 2028.

Annual debt service requirements to maturity for the City's business-type activities notes payable, are as follows:

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 419,289	\$ 83,764	\$ 503,053
2022	523,854	84,949	608,803
2023	537,703	71,582	609,285
2024	550,839	55,508	606,347
2025	565,275	43,767	609,042
2026-2030	1,285,055	61,002	1,346,057
Total	<u>\$ 3,882,015</u>	<u>\$ 400,572</u>	<u>\$ 4,282,587</u>

(10) **Commitments and Contingencies:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2020. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

The City has active construction projects with uncompleted work commitments of \$1,166,032 as of September 30, 2020.

During fiscal year ended September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of July 27, 2021, management believes that an impact on the City's financial position and results of future operations is reasonably possible.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(11) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

(12) **Other Postemployment Benefits (OPEB):**

Plan Description—City of Flagler Beach, Florida, Post-Retirement Benefits Plan (the Plan) is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

Funding Policy—The contribution requirements of plan members and the City are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the total OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis. The City utilizes the General Fund to liquidate the liability for the OPEB obligation from previous years

Benefits Provided—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee, known as the “implicit rate subsidy.”

Plan Membership—At September 30, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	77
Inactive Employees	-
	77
	77

Total OPEB Liability—The City’s total OPEB liability of \$426,038 was measured as of September 30, 2019, and was determined by an actuarial valuation as of September 30, 2019 utilizing the Measurement Method for small plans as permitted under GASB 75.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(12) **Other Postemployment Benefits (OPEB)**: (Continued)

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.50%
Discount rate	3.58%
Healthcare cost trend rate	7.5%
	Ultimate rate reached in 2075 4.0%
 Retirees' share of benefit-related costs	 100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the September 30, 2019 S&P Municipal Bond 20 Year High Grade Rate Index as published by the S&P Dow Jones Indices.

Mortality rates were based on the PubG-2010 Mortality Tables.

For the fiscal year ended September 30, 2020, changes in the total OPEB liability were as follows:

Balance at September 30, 2019	\$ 369,666
Changes for a year:	
Service cost	36,092
Interest	16,701
Differences between expected and actual experience	(35,198)
Changes of assumptions	51,333
Benefit payments – implicit rate subsidy	(12,556)
Net changes	56,372
Balance at September 30, 2020	\$ 426,038

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City calculated using the discount rate of 3.58%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 481,343	\$ 426,038	\$ 379,736

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(12) **Other Postemployment Benefits (OPEB):** (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3.00%-6.50%) or 1% higher (5.00%-8.50%) than the current healthcare cost trend rates (4.00%-7.50%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 377,162	\$ 426,038	\$ 484,368

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2020, the City recognized OPEB expense of \$70,128. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 14,876	\$ -
Total	<u>\$ 14,876</u>	<u>\$ -</u>

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2021.

(13) **Employee Retirement Systems and Pension Funds:**

General Employees - Defined Contribution Plan

The City Commission has adopted the International City Management Association Retirement corporation (ICMA-RC) Money Purchase Plan and Trust, as amended, effective March 10, 2016. The plan is available to the general employees who are not in one of the other City retirement plans. City contributions to the ICMA-RC Money Purchase Plan and trust for general employees shall be 6.5% of each participant's earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. For the year ended September 30, 2020, actual employer contributions to this plan totaled \$157,364.

Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans

The City's pension plans are established by various City ordinances. The City maintains two separate single employer benefit pension plans which cover firefighters and police officers. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively.

Plan Description and Administration

The City's pension plans are single employer defined benefit pension plans administered by a board of trustees. The board of trustees for each pension plan consists of two Commission appointees, two members of the plan elected by the plan membership, and one member elected by the other four members and appointed by the Commission.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(13) Employee Retirement Systems and Pension Funds: (Continued)

No standalone financial reports exist for the pension plans. All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City's asset valuation are based on the custodian's determination of value.

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

Benefits Provided and Employees Covered

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Current membership in the employee retirement plans was composed of the following at October 1, 2018:

	Police Plan	Fire Plan
Inactive plan members or beneficiaries receiving benefits	6	4
Inactive plan members entitled to but not yet receiving benefits	10	5
Active participants	15	20
Total current membership	31	29

A summary of the benefits provided under each plan are as follows:

Police Officers Plan

- Normal Retirement Benefits: 3.19% of average final compensation times credited service
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service or 2) age 52 and 25 years of service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non-Vested: Refund of accumulated contributions without interest
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is not currently funded per mutual consent between the City and membership.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Firefighters Plan

- Normal Retirement Benefits: 3.0% of average final compensation times credited service
- Normal Retirement Age: Earlier of age 55 and 10 years of credited service or age 52 and 25 years of credited service
- Early Retirement Benefits: Accrued benefit reduced 3% for each year commencement occurs prior to age 55
- Early Retirement Age: Age 50 and 10 Years of credited service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non-Vested: Refund of accumulated contributions without interest
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is currently not funded.

The most recent experience studies for both the police and fire plans were conducted as of August 20, 2019.

Contributions

Members contribute ten percent (police) or five percent (fire) of their pretax earnings. The City contributes the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over thirty years. The State of Florida contributes any monies received by reason of the laws of the State for the purpose of funding and paying for retirement benefits.

For the year ended September 30, 2020, contributions to the City's pension plans were as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
Employee contributions	\$ 89,695	\$ 31,446	\$ 121,141
City contributions	152,824	70,368	223,192
State contributions	56,449	49,127	105,576
Total contributions	<u>\$ 298,968</u>	<u>\$ 150,941</u>	<u>\$ 449,909</u>

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2020:

Asset Class	Target Asset Allocation	
	Police Plan	Fire Plan
Domestic equity	50%	50%
International equity	15%	15%
Broad Market Fixed Income	35%	35%

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the pension plans at September 30, 2020, were as follows:

	Police Plan	Fire Plan	Total
Total pension liability	\$ 4,475,230	\$ 1,357,925	\$ 5,833,155
Plan fiduciary net position	(4,098,405)	(1,888,052)	(5,986,457)
Net pension liability (asset)	\$ 376,825	\$ (530,127)	\$ (153,302)
Plan fiduciary net position as percentage of total pension liability	91.58%	139.04%	102.63%

The total pension liability was determined by an actuarial valuation as of October 1, 2018, and measurement date of September 30, 2020, using the following actuarial assumptions to all measurement periods.

	Police Plan	Fire Plan
Inflation	2.50%	2.50%
Salary increases	Service based	Service based
Investment rate of return	7.35%	7.25%
Mortality table	RP-2000, Scale BB	RP-2000, Scale BB

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(13) Employee Retirement Systems and Pension Funds: (Continued)

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Long Term Expected Real Rate of Return		
Asset Class	Police Plan	Fire Plan
Domestic equity	7.5%	7.5%
International equity	8.5%	8.5%
Broad Market Fixed Income	2.5%	2.5%

Discount rate:

The discount rate used to measure the total pension liability for each pension plan varied as discussed on the following pages. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability (asset):

Changes in each plan's net pension liability (asset) were as follows:

	Police Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 4,183,805	\$ 3,907,118	\$ 276,687
Changes for year:			-
Service cost	186,283	-	186,283
Interest	323,707	-	323,707
Share plan allocation	6,549	-	6,549
Differences between expected/actual experience	(118,437)	-	(118,437)
Changes of assumption	72,739	-	72,739
Contributions - employer	-	129,209	(129,209)
Contributions - employee	-	77,838	(77,838)
Contributions - state	-	56,051	(56,051)
Contributions - buy back	42,166	42,166	-
Net investment income	-	154,626	(154,626)
Benefit payments, including refunds	(221,582)	(221,582)	-
Administrative expenses	-	(47,021)	47,021
Net changes	291,425	191,287	100,138
Ending Balance	\$ 4,475,230	\$ 4,098,405	\$ 376,825

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

	Fire Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance	\$ 1,473,377	\$ 1,782,385	\$ (309,008)
Changes for year:			-
Service cost	129,855	-	129,855
Interest	117,847	-	117,847
Differences between expected/actual experie	(216,635)	-	(216,635)
Change in assumptions	(82,951)	-	(82,951)
Contributions - employer	-	70,900	(70,900)
Contributions - employee	-	27,936	(27,936)
Contributions - state	-	47,053	(47,053)
Net investment income	-	68,923	(68,923)
Benefit payments, including refunds	(63,246)	(63,246)	-
Administrative expenses	-	(45,899)	45,899
Net changes	(115,452)	105,667	(221,119)
Ending Balance	<u>\$ 1,357,925</u>	<u>\$ 1,888,052</u>	<u>\$ (530,127)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability (asset) of the City calculated using the selected discount rates, as well as what the City's net pension liability (asset) (NPL(A)) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL(A) with 1% Decrease</u>	<u>NPL(A) at Current Discount Rate</u>	<u>NPL(A) with 1% Increase</u>
Police	7.35%	\$ 974,073	\$ 376,825	\$ (114,040)
Fire	7.25%	(308,504)	(530,127)	(707,951)
Total		<u>\$ 665,569</u>	<u>\$ (153,302)</u>	<u>\$ (821,991)</u>

For the year ended September 30, 2020, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>
Annual money-weighted rate of return	3.95%	3.82%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$247,973 and \$ 96,798 in the Police and Fire pension plans, respectively, for a total of \$344,771.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Plan		Fire Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,556	\$ (150,359)	\$ 122,860	\$ (256,981)
Changes of assumptions	75,624	-	28,170	(66,360)
Net different between projected and actual investment earnings	957	-	11,233	-
Employer and State contributions subsequent to the measurement date	202,387	-	114,791	-
	<u>\$ 438,524</u>	<u>\$ (150,359)</u>	<u>\$ 277,054</u>	<u>\$ (323,341)</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2020. All other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	Police Plan	Fire Plan
2021	\$ 10,887	\$ (56,591)
2022	(3,373)	(50,457)
2023	24,504	(39,594)
2024	53,760	(34,989)
2025	-	11,701
Thereafter	-	8,852

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

C. Pension Fund Financial Statements

The City does not issue separate financial statements for the Police or Fire Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2020:

COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS

	<u>Fire Plan</u>	<u>Police Plan</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents with trustee	\$ 66,414	\$ 103,497	\$ 169,911
Receivables			
Employer contributions receivable	1,975	-	1,975
State premium taxes	245	-	245
Total receivables	<u>2,220</u>	<u>-</u>	<u>2,220</u>
Investments, at fair value			
Mutual funds - equity	580,145	3,351,779	3,931,924
Mutual funds - fixed income	1,510,910	1,136,222	2,647,132
Total investments	<u>2,091,055</u>	<u>4,488,001</u>	<u>6,579,056</u>
Total assets	<u>2,159,689</u>	<u>4,591,498</u>	<u>6,751,187</u>
LIABILITIES			
Accounts payable	3,300	10,363	13,663
NET POSITION			
Restricted for pensions	<u>\$ 2,156,389</u>	<u>\$ 4,581,135</u>	<u>\$ 6,737,524</u>

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)**COMBINING SCHEDULE OF CHANGES IN NET POSITION – FIDUCIARY FUNDS**

	<u>Fire Plan</u>	<u>Police Plan</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 70,368	\$ 152,824	\$ 223,192
Plan members	31,446	89,695	121,141
State - insurance premium taxes	49,127	56,449	105,576
Total contributions	<u>150,941</u>	<u>298,968</u>	<u>449,909</u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	168,768	382,184	550,952
Interest and dividends	39,691	85,087	124,778
Total investment earnings	<u>208,459</u>	<u>467,271</u>	<u>675,730</u>
Less: investment expense	<u>(10,000)</u>	<u>(14,500)</u>	<u>(24,500)</u>
Net investment income (loss)	198,459	452,771	651,230
Total additions	<u>349,400</u>	<u>751,739</u>	<u>1,101,139</u>
Deductions			
Benefit payments and refunds	43,381	227,817	271,198
Administrative expenses	32,978	34,306	67,284
Total deductions	<u>76,359</u>	<u>262,123</u>	<u>338,482</u>
Change in net position	<u>273,041</u>	<u>489,616</u>	<u>762,657</u>
Net position restricted for pensions, beginning of year	1,883,348	4,091,519	5,974,867
Net position restricted for pensions, end of year	<u>\$ 2,156,389</u>	<u>\$ 4,581,135</u>	<u>\$ 6,737,524</u>

(14) **Restatement of Beginning Equity:**

Subsequent to issuance of the September 30, 2019, financial statements, management became aware of the following errors: understatement of construction in progress, overstatement of accrued interest recorded, and understatement of special assessment receivable. See below for a summary of the financial statement items affected:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Stormwater Fund</u>	<u>Water & Sewer Fund</u>
Net position – 9/30/19, originally reported	\$ 15,666,899	\$ 32,502,866	\$ 4,863,472	\$ 24,591,291
Construction in progress	69,151	32,432	32,432	-
Accrued interest	8,260	-	-	-
Special assessment receivable	-	188,075	-	188,075
Net position – 9/30/19, as restated	<u>\$ 15,744,310</u>	<u>\$ 32,723,373</u>	<u>\$ 4,895,904</u>	<u>\$ 24,779,366</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes	\$ 4,934,770	\$ 4,934,770	\$ 5,091,535	\$ 156,765
Permits and fees	662,750	662,750	720,885	58,135
Intergovernmental	1,166,185	1,412,913	1,561,511	148,598
Charges for services	24,422	24,422	9,274	(15,148)
Fines and forfeitures	54,800	54,800	32,864	(21,936)
Investment income	106,593	106,593	141,646	35,053
Miscellaneous	9,000	28,374	37,482	9,108
Total revenues	<u>6,958,520</u>	<u>7,224,622</u>	<u>7,595,197</u>	<u>370,575</u>
Expenditures				
Current:				
General government	2,014,421	2,360,343	1,813,274	547,069
Public safety	3,325,924	3,818,009	3,538,417	279,592
Roads and streets	437,235	437,235	399,461	37,774
Culture and recreation	504,124	592,779	502,183	90,596
Capital outlay	1,277,500	1,386,174	688,693	697,481
Debt service:				-
Principal retirement	4,472	4,632	4,632	-
Interest and fiscal charges	578	418	415	3
Total expenditures	<u>7,564,254</u>	<u>8,599,590</u>	<u>6,947,075</u>	<u>1,652,515</u>
Excess (deficiency) of revenues over expenditures	<u>(605,734)</u>	<u>(1,374,968)</u>	<u>648,122</u>	<u>2,023,090</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	5,300	5,300
Net change in fund balances	<u>(605,734)</u>	<u>(1,374,968)</u>	<u>653,422</u>	<u>2,028,390</u>
Fund balances, beginning of year	7,014,833	7,014,833	7,014,833	-
Fund balances, end of year	<u>\$ 6,409,099</u>	<u>\$ 5,639,865</u>	<u>\$ 7,668,255</u>	<u>\$ 2,028,390</u>

ATTACHMENT 6

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 324,863	\$ 324,863	\$ 311,296	\$ (13,567)
Expenditures				
Current:				
Physical environment	112,100	128,000	98,836	29,164
Capital outlay	75,000	128,460	128,460	-
Debt service:				
Principal retirement	87,047	87,047	-	87,047
Interest and fiscal charges	17,114	17,114	8,854	8,260
Total expenditures	<u>291,261</u>	<u>360,621</u>	<u>236,150</u>	<u>124,471</u>
Excess (deficiency) of revenues over expenditures	<u>33,602</u>	<u>(35,758)</u>	<u>75,146</u>	<u>110,904</u>
Fund balances, beginning of year	212,139	212,139	212,139	-
Fund balances, end of year	<u>\$ 245,741</u>	<u>\$ 176,381</u>	<u>\$ 287,285</u>	<u>\$ 110,904</u>

CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 36,092	\$ 37,961	\$ 40,191
Interest	16,701	14,031	11,433
Difference between expected and actual experience	(35,198)	-	-
Changes of assumptions	51,333	(23,985)	(26,484)
Benefit payments - implicit rate subsidy	(12,556)	(11,546)	(10,617)
Net change in total OPEB liability	<u>56,372</u>	<u>16,461</u>	<u>14,523</u>
Total OPEB liability - beginning of year	369,666	353,205	338,682
Total OPEB liability - end of year	<u><u>\$ 426,038</u></u>	<u><u>\$ 369,666</u></u>	<u><u>\$ 353,205</u></u>
Covered employee payroll	\$ 3,590,988	\$ 3,542,740	\$ 3,456,332
Total OPEB liability as a percentage of covered payroll	11.86%	10.43%	10.22%

Notes to Schedule:

Valuation date:	9/30/2019	9/30/2018	9/30/2017
Measurement date:	9/30/2019	9/30/2018	9/30/2017

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

3.58%	4.18%	3.64%
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Also reflected as assumption changes are updated mortality rates, updated health care costs and premiums, and updated health care cost trend rates.

Benefit Payments:

The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2020. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

*10 years of data will be presented as it becomes available.

ATTACHMENT 6

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Measurement Period - Fiscal Year Ending Reporting Period - Fiscal Year Ending	9/30/19 9/30/20	9/30/18 9/30/19	9/30/17 9/30/18	9/30/16 9/30/17	9/30/15 9/30/16	9/30/14 9/30/15
Total Pension Liability						
Service cost	\$ 186,283	\$ 181,472	\$ 163,804	\$ 140,418	\$ 152,425	\$ 148,987
Interest	323,707	286,220	270,030	233,628	218,206	197,282
Share plan allocation	6,549	5,344	764	-	-	-
Change in excess state money	-	-	-	-	-	-
Difference between actual and expected experience	(118,437)	204,944	(91,598)	114,638	(58,880)	-
Changes of assumptions	72,739	-	-	87,160	-	-
Contributions - Buy Back	42,166	-	-	-	-	-
Benefit payments including refunds of contributions	(221,582)	(157,515)	(137,764)	(102,745)	(90,905)	(57,881)
Net change in total pension liability	291,425	520,465	205,236	473,099	220,846	288,388
Total pension liability - beginning	4,183,805	3,663,340	3,458,104	2,985,005	2,764,159	2,475,771
Total pension liability - ending (a)	\$ 4,475,230	\$ 4,183,805	\$ 3,663,340	\$ 3,458,104	\$ 2,985,005	\$ 2,764,159
Total Fiduciary Net Position						
Contributions - employer	\$ 129,209	\$ 136,466	\$ 130,382	\$ 62,751	\$ 60,659	\$ 87,454
Contributions - state	56,051	53,639	44,481	42,952	38,667	38,340
Contributions - employee	77,838	83,550	81,895	72,128	71,655	71,530
Contributions - Buy Back	42,166	-	-	-	-	-
Net investment income	154,626	338,143	373,236	289,042	(40,277)	246,855
Benefit payments, including refunds of contributions	(221,582)	(157,515)	(137,764)	(102,745)	(90,905)	(57,881)
Administrative expense	(47,021)	(35,835)	(42,148)	(39,294)	(51,933)	(19,992)
Net change in plan fiduciary net position	191,287	418,448	450,082	324,834	(12,134)	366,306
Plan fiduciary net position - beginning	3,907,118	3,488,670	3,038,588	2,713,754	2,725,888	2,359,582
Plan fiduciary net position - ending (b)	\$ 4,098,405	\$ 3,907,118	\$ 3,488,670	\$ 3,038,588	\$ 2,713,754	\$ 2,725,888
Net pension liability - ending (a) - (b)	\$ 376,825	\$ 276,687	\$ 174,670	\$ 419,516	\$ 271,251	\$ 38,271
Plan fiduciary net position as a percentage of the total pension liability	91.58%	93.39%	95.23%	87.87%	90.91%	98.62%
Covered payroll	\$ 778,377	\$ 835,497	\$ 818,946	\$ 721,277	\$ 716,550	\$ 715,298
Net pension liability as a percentage of covered payroll	48.41%	33.12%	21.33%	58.16%	37.86%	5.35%

Changes of assumptions:

For measurement date 09/30/2019, the Board of Trustees adopted the following changes:

- Salary Increase Assumption
- Retirement Assumption
- Withdrawal Assumption
- Investment rate of return was reduced from 7.60% to 7.35%, net of investment related expenses.

*10 years of data will be presented as it becomes available.

ATTACHMENT 6

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
FIRE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Measurement Period - Fiscal Year Ending Reporting Period - Fiscal Year Ending	9/30/19 9/30/20	9/30/18 9/30/19	9/30/17 9/30/18	9/30/16 9/30/17	9/30/15 9/30/16	9/30/14 9/30/15
Total Pension Liability						
Service cost	\$ 129,855	\$ 129,752	\$ 82,884	\$ 81,822	\$ 74,954	\$ 63,454
Interest	117,847	94,641	90,640	77,035	69,702	63,195
Change in excess state money	-	-	-	-	-	-
Difference between actual and expected experience	(216,635)	146,201	(118,194)	16,460	(1,875)	-
Changes of assumptions	(82,951)	-	-	50,710	-	-
Benefit payments including refunds of contributions	(63,246)	(58,679)	(39,022)	(52,357)	(51,394)	(51,394)
Net change in total pension liability	(115,452)	311,915	16,308	173,670	91,387	75,255
Total pension liability - beginning	1,473,377	1,161,462	1,145,154	971,484	880,097	804,842
Total pension liability - ending (a)	\$ 1,357,925	\$ 1,473,377	\$ 1,161,462	\$ 1,145,154	\$ 971,484	\$ 880,097
Total Fiduciary Net Position						
Contributions - employer	\$ 70,900	\$ 86,628	\$ 83,554	\$ 2,978	\$ 12,764	\$ 24,723
Contributions - state	47,053	43,677	31,857	35,714	62,074	50,517
Contributions - employee	27,936	24,886	25,221	15,917	14,900	13,776
Net investment income	68,923	143,679	158,378	124,245	(19,545)	115,088
Benefit payments, including refunds of contributions	(63,246)	(58,679)	(39,022)	(52,357)	(51,394)	(51,394)
Administrative expense	(45,899)	(36,562)	(35,837)	(36,875)	(28,497)	(12,148)
Net change in plan fiduciary net position	105,667	203,629	224,151	89,622	(9,698)	140,562
Plan fiduciary net position - beginning	1,782,385	1,578,756	1,354,605	1,264,983	1,274,681	1,134,119
Plan fiduciary net position - ending (b)	\$ 1,888,052	\$ 1,782,385	\$ 1,578,756	\$ 1,354,605	\$ 1,264,983	\$ 1,274,681
Net pension asset - ending (a) - (b)	\$ (530,127)	\$ (309,008)	\$ (417,294)	\$ (209,451)	\$ (293,499)	\$ (394,584)
Plan fiduciary net position as a percentage of the total pension liability	139.04%	120.97%	135.93%	118.29%	130.21%	144.83%
Covered payroll	\$ 558,717	\$ 497,723	\$ 504,418	\$ 318,345	\$ 297,990	\$ 275,505
Net pension asset as a percentage of covered payroll	-94.88%	-62.08%	-82.73%	-65.79%	-98.49%	-143.22%

Changes of assumptions

For measurement date 09/30/2019, as a result of an Experience Study dated August 20, 2019, the Board approved the following changes:

- The investment rate of return assumption was decreased from 7.50% to 7.25% per year compounded annually, net of investment related expenses.
- Updates to the future salary increase assumption.
- Updates to assumed rates of retirement.
- Updates to assumed rates of withdrawal.

*10 years of data will be presented as it becomes available.

**CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 195,535	\$ 195,639	\$ (104)	\$ 896,948	21.81%
2019	184,475	178,711	5,764	778,377	22.96%
2018	172,112	184,762	(12,650)	835,497	22.11%
2017	180,987	174,099	6,888	818,946	21.26%
2016	98,815	105,703	(6,888)	721,277	14.65%
2015	98,884	99,326	(442)	716,550	13.86%
2014	125,177	125,794	(617)	715,298	17.59%

Notes to Schedule:

Valuation Date: 10/1/2018

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
 Amortization Method: Unfunded actuarial accrued liability amortized over 15 years.
 Asset Valuation Method: The Actuarial Value of Assets is based on a four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased in over a four-year period.

Inflation: 2.50%
 Salary Increases: Service based
 Investment Rate of Return: 7.6% per year compounded annually, net of investment related expenses.
 Mortality: Healthy Active Lives:
 Female: PubS.H-2010 for Employees, set forward one year.
 Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
 Healthy Retiree Lives:
 Female: PubS.H-2010 for Healthy Retirees, set forward one year.
 Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
 Beneficiary Lives:
 Female: PubG.H-2010 for (Below Median) Healthy Retirees.
 Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
 Disabled Lives:
 80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

Retirement Age: Earlier of: 1) age 55 and 10 years of service, or 2) age 52 and 25 years of service. Also, any Member who has reached Normal Retirement is assumed to retire immediately upon first year of eligibility. We feel this assumption is reasonable based on the plan provisions.

Termination and Disability Rate Table

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%

*10 years of data will be presented as it becomes available.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIRE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 119,496	\$ 114,791	\$ 4,705	\$ 628,923	18.25%
2019	123,253	117,953	5,300	558,717	21.11%
2018	120,300	130,305	(10,005)	497,723	26.18%
2017	115,411	115,411	-	504,418	22.88%
2016	45,588	38,692	6,896	318,345	12.15%
2015	67,942	74,838	(6,896)	297,990	25.11%
2014	75,240	75,240	-	275,505	27.31%

Notes to Schedule:

Valuation Date: 10/1/2018
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
Amortization Method: Unfunded actuarial accrued liability amortized over 15 years
Asset Valuation Method: All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. (Prior year Fair Market Value, net of investment-related expenses).

Inflation: 2.50%
Salary Increases: Service based
Investment Rate of Return: 7.5% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 for (Below Median) Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

Retirement Age:	Number of Years after First Eligibility for Normal Retirement	Probability of Retirement
	0	20%
1-4	5%	
5 or more	100%	

Disability Rate Table:

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%

*10 years of data will be presented as it becomes available.

**CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
SEPTEMBER 30, 2020**

For the Year Ending September 30,	Police Plan	Fire Plan
2020	11.08%	10.43%
2019	3.95%	3.82%
2018	9.76%	9.27%
2017	12.32%	11.83%
2016	10.62%	10.10%
2015	-1.48%	-1.52%
2014	10.40%	9.98%

*10 years of data will be presented as it becomes available.

SUPPLEMENTARY INFORMATION

ATTACHMENT 6
CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Federal Agency / Pass-Through Entity / Federal Program</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Treasury</u>			
Indirect Programs:			
Passed-Through Flagler County, Florida			
COVID-19 - Coronavirus Relief Fund - Overtime Salaries and Non Budgeted Supplies	21.019	Interlocal Agreement	\$ 263,426
COVID-19 - Coronavirus Relief Fund - First Responder Salary Reimbursement	21.019	Interlocal Agreement	454,989
Total U.S. Department of Treasury			<u>718,415</u>
<u>U.S. Department of Justice</u>			
Indirect Programs:			
Passed-Through State of Florida, Department of Legal Affairs - Office of the Attorney Division			
Victims of Crime Act	16.575	00049	<u>112,314</u>
<u>U.S. Department of Homeland Security / Federal Emergency Management Administration</u>			
Indirect Programs:			
Passed-Through Florida Division of Emergency Management			
Disaster Grants - Public Assistance - Hurricane Irma Declaration	97.036	4337	17,858
Disaster Grants - Public Assistance - Hurricane Dorian Declaration	97.036	4468	40,010
Disaster Grants - Public Assistance - Hurricane Matthew Declaration	97.036	4283	245,849
Total U.S. Department of Homeland Security / Federal Emergency Management Administration			<u>303,717</u>
Total Federal Awards			<u><u>\$ 1,134,446</u></u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Flagler Beach, Florida (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(3) **De Minimis Indirect Cost Rate Election:**

The City did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

(4) **Subrecipients:**

The City did not pass any monies recognized on the schedule of expenditures of federal awards to subrecipients.

(5) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all Project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

(6) **FEMA Expenditures:**

During the fiscal year ended September 30, 2020, the City incurred costs related to Hurricane Matthew, Hurricane Dorian, and Hurricane Irma. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under CFDA 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards until the respective Project Worksheets (PW) have been approved. At September 30, 2020, all \$303,717 of the City's PWs from these storms had been approved by FEMA and was recognized on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2020.

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes none reported

Auditee qualified as a low-risk auditee? yes no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Identification of major Federal programs:

CFDA Number	Program Name
21.019	COVID-19 - Coronavirus Relief Fund

B. Financial Statement Findings:

2020-001 Reconciliation of Account Balances and Audit Adjustments

Criteria: Internal controls over financial reporting should include timely year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and expense activities. These reconciliations should be performed on a timely and regular basis to help prevent misappropriation and ensure timely identification of errors or other issues.

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)**

Condition: All balances should be reconciled to supporting documentation and reconciled with the general ledger.

Cause: For the year ended September 30, 2020, many accounts were not reconciled on a timely basis and certain adjustments were required to be made to the accounting records subsequent to the start of the audit process related to year-end accrual entries. We noted this to be largely due to significant personnel turnover during and subsequent to year-end.

Effect: Financial statements would be materially misstated if significant adjustments were not made. Errors or improper activity may not be detected on a timely basis if reconciliations are not performed timely.

Recommendation: We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles. Reconciliations should be performed on a timely and regular basis and include procedures related to the proper cutoff of significant revenue and expense activities

2020-002 Information Technology Matters

Criteria: The City's information technology (IT) environment plays a key role in the financial reporting process, and safeguards should be in place to protect the integrity and security of all financial data.

Condition: Various areas for improvement were identified during our analysis of the City's IT environment.

Cause: During our testing of network and application access we noted users with inappropriate access to enter journal entries in the City's accounting software. Additionally, we noted a formal review of user access over the network and application was not being performed. We also noted the finance director has full administrator rights to City's accounting software. We also noted the City does not currently perform backups to a secondary location

Effect: The exploitation of these deficiencies could result in the compromise of the integrity and/or security of the City's data as it relates to financial reporting.

Recommendation: We recommend performing a documented review of user access at least annually to verify user access is appropriately restricted. This review should either be performed by someone who does not have an administrator role or a dual review is performed. We also recommend delegating application administration duties to someone outside of finance. We also recommend performing offsite backups to improve reliability of backups in the event of device failure.

2020-003 Journal Entry Controls

Criteria: Internal controls over financial reporting should include processes that require journal entries made to the accounting system of sub-ledgers be reviewed and approved by an individual other than the individual responsible for preparing the journal entry.

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)**

Condition: There was no formal journal entry review process in place during the fiscal year.

Cause: Various personnel changes took place and internal control policies, procedures, and/or best practices were not implemented and/or updated in recent years.

Effect: Improper journal entry activity, whether due to error or fraud, may not be detected on a timely basis.

Recommendation: We recommend management develop and implement processes that require all journal entries be reviewed by someone other than the preparer.

- C. **Federal Program Findings and Questioned Costs:** None.
- D. **Summary Schedule of Prior Audit Findings:** There were no prior year findings.
- E. **Corrective Action Plan:** See Management's Response to Findings, as listed in the table of contents.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
THE UNIFORM GUIDANCE**

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

Report on Compliance for Each Major Federal Program

We have audited the City of Flagler Beach, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

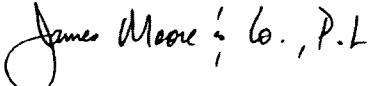
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


James Moore & Co., P.L.

Daytona Beach, Florida
July 27, 2021



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Flagler Beach, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the schedule of findings and questioned costs as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the schedule of findings and questioned costs as items 2020-002 and 2020-003 to be significant deficiencies.

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121 Executive Circle Daytona Beach, FL 32114-1180 Telephone: 386-257-4100	133 East Indiana Avenue DeLand, FL 32724-4329 Telephone: 386-738-3300	5931 NW 1st Place Gainesville, FL 32607-2063 Telephone: 352-378-1331	2477 Tim Gamble Place, Suite 200 Tallahassee, FL 32308-4386 Telephone: 850-386-6184
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Compliance and Other Matters

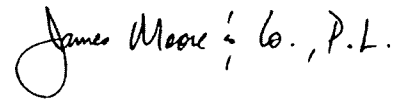
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 27, 2021



**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Flagler Beach, Florida (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated July 27, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in accordance with the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated July 27, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No repeat findings exist from the second preceding audit. No findings and recommendations existed in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

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121 Executive Circle Daytona Beach, FL 32114-1180 Telephone: 386-257-4100	133 East Indiana Avenue DeLand, FL 32724-4329 Telephone: 386-738-3300	5931 NW 1st Place Gainesville, FL 32607-2063 Telephone: 352-378-1331	2477 Tim Gamble Place, Suite 200 Tallahassee, FL 32308-4386 Telephone: 850-386-6184
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Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendations:

2020-004 Fund Balance Policy

The City does not have a fund balance policy established. We recommend a fund balance policy be established that specifies what the unassigned and unrestricted fund balances/net position should be as a percentage of each fund's expenditures/expenses in order to monitor the sufficiency of all of the unassigned and unrestricted fund balances.

2020-005 Deficit Unrestricted Net Position

The City's Pier Fund has a Deficit Unrestricted Net Position of \$306,455 which was created by recurring losses in the Pier Fund. On the Statement of Net Position, the Pier Fund has recorded an advance from the General Fund of \$496,144 to subsidize the recurring losses. We recommend exploring options for the Pier Fund to either pay back the General Fund, or consider transferring the balance from the General Fund to the Pier Fund and rectify the Deficit Unrestricted Net Position.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Management's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Commission, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Daytona Beach, Florida
July 27, 2021



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

We have examined the City of Flagler Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

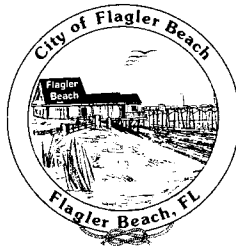
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of Flagler Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

James Moore & Co., P.L.

Daytona Beach, Florida
July 27, 2021

ATTACHMENT 6



IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Kathleen Doyle, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of the City of Flagler Beach which is a local government entity of the State of Florida;
2. The City of Flagler Beach adopted Ordinance No. 1980-18 and 2000-08 implementing an impact fees; and
3. The City of Flagler Beach has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Kathleen Doyle
 (Chief Financial Officer of the Entity)

STATE OF FLORIDA
COUNTY OF FLAGLER

SWORN TO AND SUBSCRIBED before me this 26th day of July, 2021.

Penny Overstreet
 NOTARY PUBLIC
 Print Name: Penny Overstreet

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires:
July 29, 2021

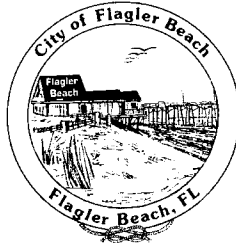


State of Florida
 County of Flagler
 Sworn to (or affirmed) and subscribed before me by
 means of physical presence OR online notarization
 this 26th day of July, 2021
 by Kathleen Doyle

 (Signature of Notary Public)
Penny Overstreet

 (Print Name of Notary Public)
 Personally known OR produced identification
 Type of Identification Produced _____

105 S 2nd Street • Flagler Beach, FL 32136
(386) 517-200



Management's Responses to Findings

2020-001 Reconciliation of Account Balances and Audit Adjustments

The City agrees that account balances must be reconciled on a timely basis. During the 2019-2020 fiscal year the Finance Department had to function remotely which caused delays in preparation for the audit. In addition, Finance Department was tasked with many weeks of preparing CARES Act reimbursement packages which had to be completed by December 31, 2020. The City hired an Assistant to the Finance Director in July 2021. This position will work closely with the Finance Director and will allow for more time to be spent on balance sheet reconciliations. During the course of the year, Finance Department will develop procedures addressing more timely reconciliation of accounts to assure compliance with Generally Accepted Accounting Principles.

2020-002 Information Technology Matters

The City agrees that an annual review of user access in the City's Financial Software System needs to be performed. Due to the small Finance Staff, the city does not have the means to have 100% separation of duties when it comes to administrative tasks such as setting up new users with their specific user rights. However, going forward when a new user is added to the system a print out of their allotted rights of access will be printed and signed off on by the City Manager. Administrative procedures are performed by the Finance Director, but under an administrative login that is separate from the login for the Finance Director. The software system provides an audit of all transactions showing which users has performed each step. This audit is available in all modules of the software. The City currently contracts IT services with Flagler County and will explore different backup solutions to improve reliability in the event of a device failure.

2020-003 Journal Entry Controls

The City agrees that a formal journal entry review process is necessary. Journal entries are created by the Finance Director and the Payroll/Bookkeeper position. The Payroll/bookkeeper position only makes journal entries related to Credit Card transactions Fees which are reviewed by the Finance Director during bank reconciliations. During fiscal year 2020-21 we have implemented a quarterly review of journal entries and budget line transfers. All of these entries are printed and reviewed by the City Manager.

Attachment 7
Annual Report Operations Workpaper

Line No	Description	FY 2019	FY 2020	Source / Reconciliation
Charges for Service and Other Revenues				
1	Charges for Service	\$ 4,294,894	\$ 4,593,899	Attachment #6 FY19 Audit pg20 / Attachment #6 FY20 Audit pg19
2	Operating Grants	-	-	
3	Other Income (Expense)	51,723	57,156	Attachment #6 FY19 Audit pg20 / Attachment #6 FY20 Audit pg19
4	Total Charges for Service and Other Revenue	<u>\$ 4,346,617</u>	<u>\$ 4,651,055</u>	
5	Interest Income	\$ 236,798	\$ 189,767	Attachment #6 FY19 Audit pg20 / Attachment #6 FY20 Audit pg19
6	Impact Fees	\$ 263,073	\$ 182,940	Attachment #6 FY19 Audit pg21 / Attachment #6 FY20 Audit pg20
7	Total Capital Contributions Income	<u>\$ 263,073</u>	<u>\$ 182,940</u>	
	Total Revenue	<u>\$ 4,846,488</u>	<u>\$ 5,023,762</u>	
Operating Expenses - Water				
8	Personal Services	\$ 1,320,663	\$ 1,489,044	Attachment #6 FY19 Audit pg20 / Attachment #6 FY20 Audit pg19
9	Materials, Supplies, Services, and Other Operating Expenses	934,189	1,383,461	Attachment #6 FY19 Audit pg20 / Attachment #6 FY20 Audit pg19
10	Total Operating Expenses	<u>\$ 2,254,852</u>	<u>\$ 2,872,505</u>	
11	Net Revenues	<u>\$ 2,591,636</u>	<u>\$ 2,151,257</u>	
Debt Service				
12	Principal	\$ 430,130	\$ 393,885	Attachment #6 FY19 Audit pg21 / Attachment #6 FY20 Audit pg20
13	Interest	92,295	81,958	Attachment #6 FY19 Audit pg21 / Attachment #6 FY20 Audit pg20
14	Total Debt Service	<u>\$ 522,425</u>	<u>\$ 475,843</u>	
15	Total Debt Service (Including Coverage 1.15)	<u>\$ 600,789</u>	<u>\$ 547,219</u>	

Attachment 8

Financial Projections Assumptions

1) Baseline financial projections were based on the Fiscal Year 2022 Budget

2) Escalation Assumptions:

- a. User fee revenues were escalated at a rate of 2.5% annually assuming a combination of a 1% growth rate in the customer base / water demands and a 1.5% annual price index tied to the FPSC published index.
- b. Other Revenues were held constant to maintain a conservative projection.
- c. Interest income reflects only amounts budgeted for the operating fund and were held constant to maintain a conservative projection
- d. Operating expenses were escalated by 4.0% annually for salaries, wages, and benefits, and were escalated by 3.0% annually for all other operating expenses.