

CITY OF MEXICO BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



**CITY OF MEXICO BEACH, FLORIDA
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Mexico 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 Mexico Beach, Florida (the City), as of and for the year ended September 30, 2021, 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 (1) unmodified audit opinions on the General Fund and Disaster Recovery Fund and (2) qualified audit opinions on the Governmental Activities, Business-Type Activities, and Water, Sewer, and Sanitation Funds.

Basis for Qualified Opinion on the Governmental Activities, Business-Type Activities, and Water, Sewer, and Sanitation Funds

As discussed in Note (10) to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and water, sewer, and sanitation funds. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and water, sewer, and sanitation funds, has not been determined.

Qualified Opinion on the Governmental Activities, Business-Type Activities, and Water, Sewer, and Sanitation Funds

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 75, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City as of September 30, 2021, 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.

Unmodified Opinion on the General Fund and Disaster Recovery Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and Disaster Recovery Fund of the City as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Management has omitted the schedule of changes in the Town's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements are not affected by this missing information.

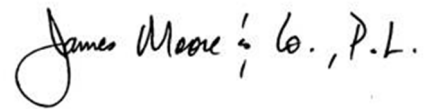
Other Information

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 and state financial assistance 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), and Section 215.97, Florida Statutes, *Florida Single Audit Act*; and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and were 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 December 15, 2022, 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Tallahassee, Florida
December 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Mexico 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, 2021. 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 City was catastrophically impacted by Hurricane Michael in October 2018, resulting in substantial negative financial positions and trends as the City waits on financial assistance from the Federal and State government.
- The total assets of the City of Mexico Beach, Florida exceeded its liabilities at the close of the most recent fiscal year by \$36,907,609 (net position). Of this amount, \$1,536,415 is considered unrestricted net position and is available to be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased (decreased) by \$26,011,215 in fiscal year 2021, after restatements to beginning net position. Net position of the City's governmental activities increased (decreased) by \$26,121,041, while net position of its business type activities increased (decreased) by (\$109,826).
- The City's governmental funds reported a combined ending fund balance of \$20,570,527 at the end of the current fiscal year, which increased (decreased) by \$24,715,296 in comparison to the (\$4,144,769) (as restated) reported at the end of the prior fiscal year. There is a fund balance of \$20,570,527. Of this amount, \$6,868,317 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2021 fiscal year, unassigned fund balance for the General Fund was \$6,868,317 or 163% of the total fiscal year 2021 General Fund expenditures of \$4,376,585.
- The City's total long-term debt obligations decreased by \$346,651 during the fiscal year, due to scheduled current-year principal maturities/reductions on existing obligations. The City's combined long-term commitment for compensated absences totaled \$77,638 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- and long-term financial information about the activities the government operates like businesses, such as the City's water utility system. 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 and building inspection), streets, storm water management, solid waste management, the Community Redevelopment Agency, disaster recovery and relief efforts, and recreation and leisure services. The business-type activities of the City include its water utility, sewer utility, stormwater utility, and sanitation 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 two categories: governmental funds and proprietary 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 14 and 16.

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 disaster recovery 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 utility, sewer utility, sanitation, and fire) 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 17 to 19 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 \$36,907,609 at the end of 2021, compared to \$10,896,394 at the end of 2020. This represents a total increase of \$26,011,215 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, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 20,677,882	\$ 13,934,385	\$ (1,806,626)	\$ 2,422,566	\$ 18,871,256	\$ 16,356,951
Capital assets	12,827,801	11,693,642	11,623,596	11,528,586	24,451,397	23,222,228
Total assets	\$ 33,505,683	\$ 25,628,027	\$ 9,816,970	\$ 13,951,152	\$ 43,322,653	\$ 39,579,179
DEFERRED OUTFLOWS	\$ 478,108	\$ 875,623	\$ 139,080	\$ 188,331	\$ 617,188	\$ 1,063,954
LIABILITIES						
Current liabilities	\$ 117,726	\$ 18,090,592	\$ 183,675	\$ 3,939,702	\$ 301,401	\$ 22,030,294
Noncurrent liabilities:	754,969	2,408,500	4,231,192	4,863,199	4,986,161	7,271,699
Total liabilities	\$ 872,695	\$ 20,499,092	\$ 4,414,867	\$ 8,802,901	\$ 5,287,562	\$ 29,301,993
DEFERRED INFLOWS	\$ 1,351,518	\$ 366,021	\$ 393,152	\$ 78,725	\$ 1,744,670	\$ 444,746
NET POSITION						
Net investment in capital assets	\$ 12,777,801	\$ 11,607,179	\$ 7,606,295	\$ 7,088,280	\$ 20,384,096	\$ 18,695,459
Restricted	13,068,120	1,757,445	1,918,978	2,104,572	14,987,098	3,862,017
Unrestricted	5,913,657	(7,726,087)	(4,377,242)	(3,934,995)	1,536,415	(11,661,082)
Total net position	\$ 31,759,578	\$ 5,638,537	\$ 5,148,031	\$ 5,257,857	\$ 36,907,609	\$ 10,896,394

The most significant component of the City's net position (approximately 55%, due to negative unrestricted net position) 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 (41%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 4% 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 \$1,536,415 at year-end, compared to a deficit balance of (\$11,661,082) in 2020. The main reason for the increase from the prior year was due to the financial effects from Hurricane Michael, which impacted the City in October 2018. The City has expected to recover some of these losses as additional grant reimbursements are approved and disbursed by FEMA, which occurred in 2021.

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 2021, total revenues were \$42,978,712 compared to \$19,235,319 in the prior year. Approximately 6% of the City's revenue came from property taxes, 1% from other taxes and fees, 7% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues, including substantial FEMA reimbursements related to Hurricane Michael.

During 2021, expenses were \$16,967,497 as opposed to \$18,328,111 in the prior year, for a decrease of approximately 7% due to the recovery from Hurricane Michael. City-wide, public safety expenses accounted for approximately 11% of the City's expenses, water, sewer, stormwater, and sanitation expenses collectively were 15%. The other functions, including the general government, transportation, and culture and recreation each individually totaled close to or less than 10% of expenses relative to the City as a whole.

The following is a summary of changes in net position at year end:

**Changes in Net Position
For the Fiscal Years Ended September 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Property taxes	\$ 2,744,218	\$ 2,397,380	\$ -	\$ -	\$ 2,744,218	\$ 2,397,380
Other taxes and fees	414,374	428,332	-	-	414,374	428,332
Charges for services	709,158	887,568	2,336,649	1,963,803	3,045,807	2,851,371
Intergovernmental and grants	35,734,606	13,345,550	266,487	116,237	36,001,093	13,461,787
Other revenues	766,093	96,137	7,127	312	773,220	96,449
Total revenues	<u>40,368,449</u>	<u>17,154,967</u>	<u>2,610,263</u>	<u>2,080,352</u>	<u>42,978,712</u>	<u>19,235,319</u>
EXPENSES						
General government	567,740	798,181	-	-	567,740	798,181
Public safety	1,826,153	2,534,609	-	-	1,826,153	2,534,609
Physical environment	191,429	147,701	-	-	191,429	147,701
Transportation	835,340	671,893	-	-	835,340	671,893
Economic environment	80	-	-	-	80	-
Human services	-	-	-	-	-	-
Culture and recreation	278,459	279,057	-	-	278,459	279,057
Disaster recovery	10,547,595	11,900,800	-	-	10,547,595	11,900,800
Water utility	-	-	855,482	904,926	855,482	904,926
Sewer utility	-	-	1,145,324	514,793	1,145,324	514,793
Sanitation	-	-	609,712	360,998	609,712	360,998
Fire	-	-	-	-	-	-
Interest expense	612	4,732	109,571	210,421	110,183	215,153
Total expenses	<u>14,247,408</u>	<u>16,336,973</u>	<u>2,720,089</u>	<u>1,991,138</u>	<u>16,967,497</u>	<u>18,328,111</u>
Income before transfers	26,121,041	817,994	(109,826)	89,214	26,011,215	907,208
Transfers	-	203,532	-	(203,532)	-	-
Change in net position	26,121,041	1,021,526	(109,826)	(114,318)	26,011,215	907,208
Net position, beginning of year	5,638,537	4,617,011	5,257,857	5,372,175	10,896,394	9,989,186
Net position, end of year	<u>\$ 31,759,578</u>	<u>\$ 5,638,537</u>	<u>\$ 5,148,031</u>	<u>\$ 5,257,857</u>	<u>\$ 36,907,609</u>	<u>\$ 10,896,394</u>

Governmental Activities

Revenues for the City's governmental activities totaled \$40,368,449 in 2021. This represents an increase of over \$23 million from than last year's reported revenues of \$17,154,967, and is primarily due to grant and insurance reimbursements related to Hurricane Michael during in 2019.

Governmental activities expenses totaled \$14,247,408, which decreased over \$2 million from the prior year due to the impacts of Hurricane Michael during 2019.

Business-Type Activities

The major source of operating revenues for the City's business-type activities is charges for services (water, sewer, sanitation), which during the year increased to a total of \$2,336,649, more than utility billings of \$1,963,803 in 2020 due to the increased consumption in the aftermath of Hurricane Michael.

Total operating expenses of the proprietary funds fund increased in 2021 and totaled \$2,720,089, compared to \$1,991,138 in 2020, an increase of over \$700 thousand, primarily due to increased repair expenses during 2020.

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 \$20,570,527, which was an increase (decrease) of \$24,715,296 compared with the amount reported last year. This increase was primarily related to disaster recovery expenditures related to Hurricane Michael in excess of subsequent reimbursement from insurance carriers and FEMA.

The general fund is the chief operating fund of the City. As of September 30, 2021, the unassigned fund balance in the general fund totaled \$6,868,317. This unassigned fund balance represents approximately 163% of the City's general fund spending requirements experienced during 2021.

The Disaster Recovery fund, which was established in 2019, had an ending fund balance of of \$11,160,621, all of which was reported as restricted fund balance related to disaster recovery expenditures. The fund balance in the Disaster Recovery Fund is expected to used over of course of the coming years as the City recovers from damage related to Hurricane Michael.

Proprietary Funds. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Permits and fees revenues were \$566,844 more than originally budgeted due to substantial building permit activity in the aftermath of Hurricane Michael.

Miscellaneous revenues were \$169,372 more than originally budgeted, mostly due to unbudgeted proceeds received from capital asset disposals.

General Fund Expenditures varied by category from the budget and, in totality, were \$1,224,894 above the approved budget of \$3,151,691. Various over- and under-budget variances were noted due to shifting in services provided during the recovery from Hurricane Michael.

All of these factors combined resulted in \$1,450,823 increase to General Fund Balance for Fiscal Year 2021.

No budget amendments were made during 2021, resulting in no changes between the original and final budgets.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2021, the City had nearly \$30 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. See Note () for further information on the City's capital assets.

Long-Term Debt. The City has various notes and bonds payable totaling \$4,067,301 at year-end, compared to \$4,526,769 one year earlier, with the decrease being due to ongoing principal payments made in the current year. 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 (6) to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Council 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 2021 are improving as the pandemic continued to lessen impacts on the local economy.
- The most recent estimates available for unemployment data in Mexico Beach, Bay County, and the State of Florida are compiled by the Florida Department of Economic Opportunity. Unemployment rates were 3.1% at the end of the fiscal year (September 2021).
- Property tax revenue will increase based on a budget of approximately \$2.7 million. Fiscal 2022's approved millage rate was decreased to 7.0 mills to assist homeowners in the wake of increased property values based on new construction and to assist homeowners that have completed repairs to their damaged homes and property.
- The fiscal year 2021 budgets adopted for all funds utilized the prior year's final adopted budgets and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budgets. The final budget was further modified to reflect changing revenue projections and anticipated changes in expenditure trends.
- Inflationary trends for Bay County are consistent with those trends experienced at the state and national levels.

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 Mexico Beach Finance Department, PO Box 13425, Mexico Beach FL, 32410. Information can also be obtained at the City's website at www.mexicobeachgov.com.

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Equity in pooled cash and cash equivalents	\$ 11,699,236	\$ (4,009,963)	\$ 7,689,273
Receivables, net	27,507	260,407	287,914
Due from other governments	8,950,499	-	8,950,499
Prepays	640	-	640
Right-of-use assets	-	9,032	9,032
Restricted assets:			
Equity in pooled cash and cash equivalents	-	1,933,898	1,933,898
Capital assets:			
Capital assets, not being depreciated	2,413,053	634,190	3,047,243
Other capital assets, net of depreciation	10,414,748	10,989,406	21,404,154
Total assets	<u>\$ 33,505,683</u>	<u>\$ 9,816,970</u>	<u>\$ 43,322,653</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 478,108</u>	<u>\$ 139,080</u>	<u>\$ 617,188</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 85,070	\$ 168,755	\$ 253,825
Accrued interest payable	-	14,920	14,920
Due to other governments	22,285	-	22,285
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	50,000	253,776	303,776
Compensated absences	10,371	5,866	16,237
Due in more than one year:			
Bonds and notes payable	-	3,763,525	3,763,525
Compensated absences	45,278	16,123	61,401
Net pension liability	659,691	191,902	851,593
Total liabilities	<u>\$ 872,695</u>	<u>\$ 4,414,867</u>	<u>\$ 5,287,562</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 1,351,518</u>	<u>\$ 393,152</u>	<u>\$ 1,744,670</u>
NET POSITION			
Net investment in capital assets	\$ 12,777,801	\$ 7,606,295	\$ 20,384,096
Restricted for:			
Debt service	-	127,365	127,365
Capital expansion	192,552	1,791,613	1,984,165
Construction	1,062,757	-	1,062,757
Building department	245,667	-	245,667
Law enforcement	1,937	-	1,937
Hurricane recovery	11,565,207	-	11,565,207
Unrestricted	5,913,657	(4,377,242)	1,536,415
Total net position	<u>\$ 31,759,578</u>	<u>\$ 5,148,031</u>	<u>\$ 36,907,609</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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	\$ 567,740	\$ 39,610	\$ -	\$ -	\$ (528,130)	\$ -	\$ (528,130)
Public safety	1,826,153	550,421	1,556	363,292	(910,884)	-	(910,884)
Physical environment	191,429	-	-	2,529,915	2,338,486	-	2,338,486
Transportation	835,340	119,127	86,917	465,326	(163,970)	-	(163,970)
Economic environment	80	-	-	466,351	466,271	-	466,271
Culture and recreation	278,459	-	-	153,009	(125,450)	-	(125,450)
Disaster recovery	10,547,595	-	31,633,387	-	21,085,792	-	21,085,792
Interest on long-term debt	612	-	-	-	(612)	-	(612)
Total governmental activities	<u>14,247,408</u>	<u>709,158</u>	<u>31,721,860</u>	<u>3,977,893</u>	<u>22,161,503</u>	<u>-</u>	<u>22,161,503</u>
Business-type activities:							
Water	887,341	919,911	-	58,088	-	90,658	90,658
Sewer	1,223,036	968,109	-	208,399	-	(46,528)	(46,528)
Sanitation	609,782	453,965	-	-	-	(155,817)	(155,817)
Total business-type activities	<u>2,720,159</u>	<u>2,341,985</u>	<u>-</u>	<u>266,487</u>	<u>-</u>	<u>(111,687)</u>	<u>(111,687)</u>
Total primary government	<u>\$ 16,967,567</u>	<u>\$ 3,051,143</u>	<u>\$ 31,721,860</u>	<u>\$ 4,244,380</u>	<u>22,161,503</u>	<u>(111,687)</u>	<u>22,049,816</u>
General revenues:							
Property taxes					2,744,218	-	2,744,218
Sales taxes					88,203	-	88,203
Infrastructure surtax					83,958	-	83,958
Communications service tax					21,850	-	21,850
Public service taxes					84,329	-	84,329
Other taxes					4,386	-	4,386
Franchise fees					131,648	-	131,648
State revenue sharing					34,853	-	34,853
Investment earnings					6,982	1,861	8,843
Miscellaneous revenues					759,111	-	759,111
Total general revenues					<u>3,959,538</u>	<u>1,861</u>	<u>3,961,399</u>
Change in net position					26,121,041	(109,826)	26,011,215
Net position - beginning of year, as restated					5,638,537	5,257,857	10,896,394
Net position - ending of year					<u>\$ 31,759,578</u>	<u>\$ 5,148,031</u>	<u>\$ 36,907,609</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MEXICO BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Disaster Recovery Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in pooled cash and cash equivalents	\$ 9,422,098	\$ 2,277,138	\$ 11,699,236
Receivables, net	27,507	-	27,507
Due from other governments	37,272	8,913,227	8,950,499
Prepaid items	640	-	640
Total assets	<u>\$ 9,487,517</u>	<u>\$ 11,190,365</u>	<u>\$ 20,677,882</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 55,326	\$ 29,744	\$ 85,070
Due to other governments	22,285	-	22,285
Total liabilities	<u>77,611</u>	<u>29,744</u>	<u>107,355</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	640	-	640
Restricted for:			
Capital expansion	192,552	-	192,552
Infrastructure	1,062,757	-	1,062,757
Law enforcement	1,937	-	1,937
Building department	245,667	-	245,667
Hurricane recovery	404,586	11,160,621	11,565,207
Committed to:			
Canal maintenance	353,385	-	353,385
Assigned to:			
Boat ramp maintenance	142,594	-	142,594
Public works	137,471	-	137,471
Unassigned	6,868,317	-	6,868,317
Total fund balances	<u>9,409,906</u>	<u>11,160,621</u>	<u>20,570,527</u>
Total liabilities and fund balances	<u>\$ 9,487,517</u>	<u>\$ 11,190,365</u>	<u>\$ 20,677,882</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MEXICO BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Fund balances - total governmental funds		\$ 20,570,527
<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	15,290,043	
Less: accumulated depreciation	<u>(2,462,242)</u>	12,827,801
<p>On the governmental fund statements, a net pension 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 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	(659,691)	
Deferred outflows related to pensions	478,108	
Deferred inflows related to pensions	<u>(1,351,518)</u>	(1,533,101)
<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	(50,000)	
Compensated absences	<u>(55,649)</u>	(105,649)
Net position of governmental activities		<u><u>\$ 31,759,578</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Disaster Recovery Fund	Total Governmental Funds
Revenues			
Taxes	\$ 2,930,616	\$ -	\$ 2,930,616
Permits and fees	719,844	-	719,844
Intergovernmental	1,709,557	34,147,302	35,856,859
Fines and forfeitures	5,836	-	5,836
Investment income	5,118	1,864	6,982
Miscellaneous	246,372	391,875	638,247
Total revenues	5,617,343	34,541,041	40,158,384
Expenditures			
Current:			
General government	513,062	-	513,062
Public safety	1,867,243	-	1,867,243
Physical environment	195,461	-	195,461
Transportation	749,899	-	749,899
Culture and recreation	159,078	-	159,078
Disaster recovery	80	9,985,547	9,985,627
Capital outlay	873,866	1,291,021	2,164,887
Debt service:			
Principal retirement	17,284	-	17,284
Interest and fiscal charges	612	-	612
Total expenditures	4,376,585	11,276,568	15,653,153
Excess (deficiency) of revenues over expenditures	1,240,758	23,264,473	24,505,231
Other financing sources (uses)			
Proceeds from sale of capital assets	210,065	-	210,065
Net change in fund balances	1,450,823	23,264,473	24,715,296
Fund balances, beginning of year	7,959,083	(12,103,852)	(4,144,769)
Fund balances, end of year	\$ 9,409,906	\$ 11,160,621	\$ 20,570,527

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MEXICO BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balances - total governmental funds	\$ 24,715,296
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	2,164,887
Depreciation expense	(458,871)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, CIP project abandoned) is to decrease net position.	
	(571,857)
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	17,284
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 liability and deferred inflows/outflows related to pensions	261,417
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 compensated absences liability	(7,115)
Change in net position of governmental activities	\$ 26,121,041

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
ASSETS				
Equity in pooled cash and cash equivalents	\$ (2,326,972)	\$ (1,596,869)	\$ (86,122)	\$ (4,009,963)
Accounts receivable, net	103,447	110,827	46,133	260,407
Restricted current assets				
Restricted cash	8,440	6,480	-	14,920
Total current assets	<u>(2,215,085)</u>	<u>(1,479,562)</u>	<u>(39,989)</u>	<u>(3,734,636)</u>
Noncurrent assets:				
Intangible right-of-use asset	-	9,032	-	9,032
Restricted cash	519,236	1,399,742	-	1,918,978
Capital assets:				
Land	17,765	270,426	-	288,191
Construction in progress	-	345,999	-	345,999
Improvements	11,518,277	7,132,359	-	18,650,636
Machinery and equipment	407,043	213,092	427,930	1,048,065
Accumulated depreciation	(4,185,555)	(4,252,764)	(270,976)	(8,709,295)
Total capital assets, net	<u>7,757,530</u>	<u>3,709,112</u>	<u>156,954</u>	<u>11,623,596</u>
Total noncurrent assets	<u>8,276,766</u>	<u>5,117,886</u>	<u>156,954</u>	<u>13,551,606</u>
Total assets	<u>\$ 6,061,681</u>	<u>\$ 3,638,324</u>	<u>\$ 116,965</u>	<u>\$ 9,816,970</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>\$ 56,745</u>	<u>\$ 36,456</u>	<u>\$ 45,879</u>	<u>\$ 139,080</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 30,138	\$ 69,747	\$ 68,870	\$ 168,755
Compensated absences	3,238	1,243	1,385	5,866
Payable from restricted assets:				
Current maturities on long-term debt	197,276	56,500	-	253,776
Accrued interest payable	8,440	6,480	-	14,920
Total current liabilities	<u>239,092</u>	<u>133,970</u>	<u>70,255</u>	<u>443,317</u>
Noncurrent liabilities:				
Bonds and notes payable, net	2,224,925	1,538,600	-	3,763,525
Compensated absences	8,900	3,416	3,807	16,123
Net pension liability	78,297	50,301	63,304	191,902
Total noncurrent liabilities	<u>2,312,122</u>	<u>1,592,317</u>	<u>67,111</u>	<u>3,971,550</u>
Total liabilities	<u>\$ 2,551,214</u>	<u>\$ 1,726,287</u>	<u>\$ 137,366</u>	<u>\$ 4,414,867</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>\$ 160,408</u>	<u>\$ 103,052</u>	<u>\$ 129,692</u>	<u>\$ 393,152</u>
NET POSITION				
Net investment in capital assets	\$ 5,335,329	\$ 2,114,012	\$ 156,954	\$ 7,606,295
Restricted for debt service	79,624	47,741	-	127,365
Restricted for utility plant expansion	439,612	1,352,001	-	1,791,613
Unrestricted	(2,447,761)	(1,668,313)	(261,168)	(4,377,242)
Total net position	<u>\$ 3,406,804</u>	<u>\$ 1,845,441</u>	<u>\$ (104,214)</u>	<u>\$ 5,148,031</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating revenues				
Charges for services	\$ 919,801	\$ 962,883	\$ 453,965	\$ 2,336,649
Other revenues	110	5,226	-	5,336
Total operating revenues	919,911	968,109	453,965	2,341,985
Operating expenses				
Personal services	206,626	349,507	360,200	916,333
Operating expenses	358,801	572,453	214,357	1,145,611
Depreciation	290,055	223,364	35,155	548,574
Total operating expenses	855,482	1,145,324	609,712	2,610,518
Operating income (loss)	64,429	(177,215)	(155,747)	(268,533)
Nonoperating revenues (expenses)				
Interest earnings	673	1,188	-	1,861
Gain (loss) on disposition of capital assets	-	-	(70)	(70)
Interest and amortization expense	(31,859)	(77,712)	-	(109,571)
Total nonoperating revenues (expenses)	(31,186)	(76,524)	(70)	(107,780)
Income (loss) before contributions and transfers	33,243	(253,739)	(155,817)	(376,313)
Capital contributions and grants	58,088	208,399	-	266,487
Change in net position	91,331	(45,340)	(155,817)	(109,826)
Net position, beginning of year, as restated	3,315,473	1,890,781	51,603	5,257,857
Net position, end of year	\$ 3,406,804	\$ 1,845,441	\$ (104,214)	\$ 5,148,031

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Cash flows from operating activities				
Cash received from customers	\$ 897,746	\$ 863,179	\$ 450,913	\$ 2,211,838
Cash paid to employees	(271,511)	(249,329)	(334,455)	(855,295)
Cash paid to suppliers	(387,826)	(552,869)	(158,855)	(1,099,550)
Net cash provided by (used in) operating activities	<u>238,409</u>	<u>60,981</u>	<u>(42,397)</u>	<u>256,993</u>
Cash flows from capital and related financing activities				
Impact fees	58,088	208,399	-	266,487
Acquisition and construction of capital assets	(540,462)	-	-	(540,462)
Principal payments of long-term debt	(231,131)	(98,236)	-	(329,367)
Interest paid	(74,371)	(78,291)	-	(152,662)
Net cash provided by (used in) capital and related financing activities	<u>(787,876)</u>	<u>31,872</u>	<u>-</u>	<u>(756,004)</u>
Cash flows from investing activities				
Interest received	673	1,188	-	1,861
Net change in cash and cash equivalents	<u>(548,794)</u>	<u>94,041</u>	<u>(42,397)</u>	<u>(497,150)</u>
Cash and cash equivalents, beginning of year	(1,250,502)	(284,688)	(43,725)	(1,578,915)
Cash and cash equivalents, end of year	<u><u>\$ (1,799,296)</u></u>	<u><u>\$ (190,647)</u></u>	<u><u>\$ (86,122)</u></u>	<u><u>\$ (2,076,065)</u></u>
Cash and cash equivalents classified as:				
Unrestricted	\$ (2,326,972)	\$ (1,596,869)	\$ (86,122)	\$ (4,009,963)
Restricted	527,676	1,406,222	-	1,933,898
Total cash and cash equivalents	<u><u>\$ (1,799,296)</u></u>	<u><u>\$ (190,647)</u></u>	<u><u>\$ (86,122)</u></u>	<u><u>\$ (2,076,065)</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 64,429	\$ (177,215)	\$ (155,747)	\$ (268,533)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	290,055	223,364	35,155	548,574
Changes in assets and liabilities:				
Accounts receivable	(22,165)	(104,930)	(3,052)	(130,147)
Prepaid items	-	1,806	-	1,806
Accounts payable and accrued liabilities	(29,025)	17,778	55,502	44,255
Compensated absences	2,124	1,199	(2,291)	1,032
Net pension liability	(67,009)	98,979	28,036	60,006
Net cash provided by (used in) operating activities	<u><u>\$ 238,409</u></u>	<u><u>\$ 60,981</u></u>	<u><u>\$ (42,397)</u></u>	<u><u>\$ 256,993</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Mexico Beach, Florida (the City), have been prepared in conformance 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 Mexico Beach, Florida, is incorporated under the provisions of the State of Florida in 1967 and is located in eastern Bay County in northwest Florida along the Gulf of Mexico. The City operates under a City Council comprised of an elected Mayor and four City Council members, all elected at-large, and serves approximately 1,500 residents by providing human services, community enrichment and development, law enforcement and fire safety, and general administrative services. In addition, the City operates water, sewer, and sanitation utilities.

(b) **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.

Separate financial statements are provided for governmental funds and proprietary funds. 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 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).

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

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.

Disaster Recovery Fund—This Disaster Recovery fund accounts for the activity related to the City's recovery efforts following Hurricane Michael. The financial sources and uses are legally restricted for specific purposes.

The City reports the following major proprietary funds:

Water Fund—The Water 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. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges. Physical plant expansion is financed primarily from revenue bond obligations and other long-term debt borrowings.

Sewer Fund—The Sewer 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. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges. Physical plant expansion is financed primarily from revenue bond obligations and other long-term debt borrowings.

Sanitation Fund—The Sanitation Fund provides the community with refuse and recycling services, the costs of which are primarily recovered by user charges.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

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 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. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. 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.

(d) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds, except for the Disaster Recovery Fund which did not adopt a legal budget in the current year, are 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 fund budgets are prepared on the modified accrual basis of accounting. The proprietary fund 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 Council for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Council, 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 Council, 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 Council.
- vi. Budgetary control is exercised at the fund level.
- vii. 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 Council were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles.

The budgets for proprietary funds that were either adopted or amended during the year by the City Council were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The water, sewer, and sanitation funds also have legally adopted annual budgets.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **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.

(f) **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.

(g) **Inventories and prepaid items**—Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds and the proprietary funds. Inventory in the governmental funds consists of fuel held for use by all departments and funds. Inventory is valued at the lower of cost using the first-in, first-out (FIFO) method or market.

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.

(h) **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 \$750 and an estimated useful life of greater than one year. Infrastructure such as roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives 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 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 – 50 years
Improvements	20 – 50 years
Infrastructure	10 – 20 years
Machinery and equipment	3 – 15 years

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **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.

(j) **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.

(k) **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 Council through ordinance.

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by City Council or by an official or body which the Council 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.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **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 deferred outflows related to pensions which qualify for reporting in this category. Deferred outflows related to pensions are discussed further in Note (9).

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 deferred inflows related to pensions which qualify for reporting in this category. Deferred inflows related to pensions are discussed further in Note (9).

(m) **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	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(n) **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.

(o) **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 MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) Deposits and Investments:

Deposits include cash on hand and amounts held in the City's demand accounts. At September 30, 2021, the carrying amount of the City's deposits was \$7,689,273. 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 City had no investments at September 30, 2021.

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2021:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund	\$ 27,507	\$ -	\$ 27,507
Total – Governmental Activities	<u>27,507</u>	<u>-</u>	<u>27,507</u>
Business-Type Activities:			
Water Fund	108,034	(4,587)	103,447
Sewer Fund	110,827	-	110,827
Sanitation Fund	46,133	-	46,133
Totals – Business-Type Activities	<u>264,994</u>	<u>(4,587)</u>	<u>260,407</u>
Totals	<u>\$ 292,501</u>	<u>\$ (4,587)</u>	<u>\$ 287,914</u>

In addition to accounts receivable, the City also recorded \$8,950,499 in due from other governments at September 30, 2021, of which \$8,913,227 consists of Federal and State reimbursements related to Hurricane Michael which impacted the City in early fiscal year 2019. 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.

(5) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

Governmental activities:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated:				
Land	\$ 237,111	\$ 463,751	\$ -	\$ 700,862
Construction in progress	1,726,666	-	(14,475)	1,712,191
Total assets not being depreciated	<u>1,963,777</u>	<u>463,751</u>	<u>(14,475)</u>	<u>2,413,053</u>
Capital assets being depreciated:				
Buildings	1,257,286	357,851	(7,355)	1,607,782
Improvements	9,087,429	1,087,234	(668,514)	9,506,149
Machinery and equipment	1,883,563	270,526	(391,030)	1,763,059
Total assets being depreciated	<u>12,228,278</u>	<u>1,715,611</u>	<u>(1,066,899)</u>	<u>12,876,990</u>
Less accumulated depreciation	<u>(2,498,413)</u>	<u>(458,871)</u>	<u>495,042</u>	<u>(2,462,242)</u>
Total capital assets being depreciated, net	<u>9,729,865</u>	<u>1,256,740</u>	<u>(571,857)</u>	<u>10,414,748</u>
Governmental activities capital assets, net	<u>\$ 11,693,642</u>	<u>\$ 1,720,491</u>	<u>\$ (586,332)</u>	<u>\$ 12,827,801</u>

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(5) **Capital Assets:**

Business-type activities:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated:				
Land	\$ 288,191	\$ -	\$ -	\$ 288,191
Construction in progress	444,304	-	(98,305)	345,999
Total assets not being depreciated	<u>732,495</u>	<u>-</u>	<u>(98,305)</u>	<u>634,190</u>
Capital assets being depreciated:				
Improvements	17,950,278	700,358	-	18,650,636
Machinery and equipment	1,039,187	41,600	(32,722)	1,048,065
Total assets being depreciated	18,989,465	741,958	(32,722)	19,698,701
Less accumulated depreciation	(8,193,374)	(548,574)	32,653	(8,709,295)
Total capital assets being depreciated, net	<u>10,796,091</u>	<u>193,384</u>	<u>(69)</u>	<u>10,989,406</u>
Business-type activities capital assets, net	<u>\$ 11,528,586</u>	<u>\$ 193,384</u>	<u>\$ (98,374)</u>	<u>\$ 11,623,596</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 100,254
Public safety	110,978
Transportation	110,126
Physical environment	9,953
Culture and recreation	127,560
Total depreciation expense - governmental activities	<u>\$ 458,871</u>
Business-type activities:	
Water	\$ 290,055
Sewer	223,364
Sanitation	35,155
Total depreciation expense - business-type activities	<u>\$ 548,574</u>

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(6) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
Bonds payable	17,284	-	(17,284)	-	-
Compensated absences	48,534	52,295	(45,180)	55,649	10,371
Total long-term liabilities	<u>\$ 98,534</u>	<u>\$ 52,295</u>	<u>\$ (62,464)</u>	<u>\$ 105,649</u>	<u>\$ 60,371</u>
Business-type activities:					
Bonds payable	\$ 3,694,988	\$ -	\$ (173,888)	\$ 3,521,100	\$ 93,500
Notes payable	651,680	-	(155,479)	496,201	160,276
Compensated absences	20,957	30,856	(29,824)	21,989	5,866
Total long-term liabilities	<u>\$ 4,461,263</u>	<u>\$ 30,856</u>	<u>\$ (359,191)</u>	<u>\$ 4,039,290</u>	<u>\$ 259,642</u>

Bonds and notes payable in the City's governmental activities at September 30, 2021, were comprised of the following obligations:

Hurricane Recovery Revenue Note, Series 2019, issued for the purpose of financing and reimbursing the City for certain costs associated with Hurricane Michael response, recovery and mitigation, including debris removal and stormwater system repair and/or such other capital improvements. The City may request up to two advances per month, and each advance shall be in a minimum amount of \$50,000, until September 30, 2021, and up to the total amount of \$9,200,000. The fixed rate is 3.55% per annum on the basis of a 30-day month, 360-day years. The outstanding balance at September 30, 2021, was \$50,000.

Annual debt service requirements to maturity for the City's governmental activities bonds and notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 50,000	\$ 3,402	\$ 53,402
Total	<u>\$ 50,000</u>	<u>\$ 3,402</u>	<u>\$ 53,402</u>

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(6) **Long-Term Liabilities:** (Continued)

Bonds payable in the City’s business-type activities at September 30, 2021, were comprised of the following obligations:

Water and Sewer Revenue Bonds, Series 2000, were issued to fund a portion of the costs of constructing improvements to the utility system. The series 2000 bonds are secured by a junior and subordinate pledge of gross revenues of the system. The stated interest rate is 4.875% and the bonds mature September 2039. Bonds are due in payments of interest annually on September 1st. The outstanding balance at September 30, 2021, was \$1,595,100.

USDA Bonds, Series 2013 were issued to construct a wastewater system. The series 2013 bonds are secured by a pledge of the net revenues of the City’s water system and sewer system. The stated interest rate is 3.25% and the bonds mature September 2052. Bonds are due in payments of interest annually on September 1st. The outstanding balance at September 30, 2021, was \$1,926,000.

Notes payable in the City’s business-type activities at September 30, 2021, were comprised of the following obligations:

In April 2001, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$2,583,284 loan for the cost of replacing water system lines at an interest rate of 3.08% per year for 20 years. Semiannual installments are due each January 15 and July 15 of \$87,214. The loan is collateralized by the pledged revenues of the water charges by the utility fund. The outstanding balance at September 30, 2021, was \$496,201.

Annual debt service requirements to maturity for the City’s business-type activities bonds and notes payable, are as follows:

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 253,776	\$ 171,117	\$ 594,064
2023	261,783	145,546	407,329
2024	271,642	136,296	407,938
2025	105,500	128,022	233,522
2026	110,500	123,546	234,046
2027-2031	623,500	543,240	1,166,740
2032-2036	769,500	397,681	1,167,181
2037-2041	714,100	219,839	933,939
2042-2046	374,000	123,892	497,892
2047-2050	438,000	59,021	497,021
2051-2052	95,000	3,088	98,088
Total	<u>\$ 4,017,301</u>	<u>\$ 2,034,680</u>	<u>\$ 6,051,981</u>

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(7) Commitments and Contingencies:

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. 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.

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute, a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The City is authorized by the provisions of Chapter 159, Part II, Florida Statutes to make and execute financing agreements which help qualified nonprofit corporations to finance and refinance healthcare facilities and other projects described in Section 159.27, Florida Statutes. In December 1997, the City sponsored a \$150,000,000 local government floating rate bond issue from which the proceeds were issued to make variable rate loans to those entities described above. Any loans issued for financing these projects are secured by a pledge of the revenue derived from the projects and security interests in such projects.

The bonds are secured by the property finances and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

(8) 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.

(9) Employee Retirement Plans:

A. Florida Retirement System

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all of the entity's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(9) Employee Retirement Plans: (Continued)

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(9) Employee Retirement Plans: (Continued)

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2021	After June 30, 2021
Regular Class	10.00%	10.82%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

For the plan year ended June 30, 2021, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 171,653
Entity Contributions – HIS	24,498
Employee Contributions – FRS	44,273

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2021, the entity reported a liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ (340,365)
HIS	(511,228)
Total	\$ (851,593)

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(9) Employee Retirement Plans: (Continued)

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2021 and June 30, 2020, the entity's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2021	2020
FRS	0.004525838%	0.005272454%
HIS	0.004167676%	0.004214101%

For the year ended June 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	(41,063)
HIS		36,650
Total	\$	<u>(4,413)</u>

Deferred outflows/inflows related to pensions:

At September 30, 2021, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,339	\$ -	\$ 17,107	\$ (214)
Changes of assumptions	232,895	-	40,171	(21,064)
Net different between projected and actual investment earnings	-	(1,187,447)	533	-
Change in Entity's proportionate share	155,497	(430,409)	64,306	(105,536)
Contributions subsequent to measurement date	42,701	-	5,639	-
	<u>\$489,432</u>	<u>\$(1,617,856)</u>	<u>\$127,756</u>	<u>\$(126,814)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from entity contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. 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:

2022	(200,564)
2023	(242,650)
2024	(304,858)
2025	(388,659)
2026	(36,585)
Thereafter	(2,506)
Total	<u>\$ (1,175,822)</u>

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(9) Employee Retirement Plans: (Continued)

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate did not change from the prior year rate. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2019, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equities	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%
Total	<u>100.0%</u>	

**CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(9) **Employee Retirement Plans:** (Continued)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the entity calculated using the current discount rates, as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.80%	\$ 1,522,135	\$ 340,365	\$ (647,462)
HIS	2.16%	591,029	511,228	445,849

(10) **Other Post-Employment Benefits (OPEB):**

The City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

(11) **Interlocal Agreement**

The City entered into a wastewater treatment contract with Bay County (the County) in May 1997, whereby the County will exclusively reserve for the City 323,000 gallons per day of allocated wastewater treatment capacity of the Military Point Advanced Wastewater Treatment Facility. The City has agreed to pay for such capacity and treatment services for wastewater collected from City customers.

The City has entered into a memorandum of agreement with the Mexico Beach Community Development Council, Inc. (the Council) for the maintenance of the City's municipal canal and beaches. The agreements which are renewable annually provide for the Council to pay the City \$18,000 and \$15,000 annually respectively, for canal and beach maintenance. Additionally, the City has entered into an agreement with the Council for the maintenance and operating of the City's public television station granted by franchise agreement, at no cost to the Council.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(12) Prior Period Restatements:

The City recorded restatements to beginning fund balance/net position in various funds related to misstatements recorded in prior years regarding the balances for the City’s notes payable and accounts receivable.

The impact of the above restatements on the respective fund balance/net position amounts as of September 30, 2020, are as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Governmental Activities</u>
Net position/Fund Balance – 9/30/201, originally reported	\$ 1,841,142	\$ 3,271,474	\$ 5,619,358
Notes payable	49,639	43,999	19,179
Net position/Fund Balance – 9/30/20, as restated	<u>\$ 1,890,781</u>	<u>\$ 3,315,473</u>	<u>\$ 5,638,537</u>

(13) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates, as adjusted based on the impacts of GASB Statement No. 95, effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City’s financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 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 provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(14) Major Events and Fund Deficits – Hurricane Michael:

In October 2018, the City was severely impacted by Hurricane Michael, which caused catastrophic damage in the City and its surrounding areas for which the related activity has been recorded in the Disaster Recovery fund. While the immediate effects of this natural disaster have resulted in substantial fund deficits during prior years in the Disaster Recovery fund and for the City's governmental funds as a whole, the City has recovered these deficits through insurance and Federal reimbursements. Future costs of the disaster recovery are unknown and it is expected these reserves will be utilized to continue to rebuild and repair the City's infrastructure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 2,885,473	\$ 2,885,473	\$ 2,930,616	\$ 45,143
Permits and fees	153,000	153,000	719,844	566,844
Intergovernmental	317,218	317,218	1,709,557	1,392,339
Fines and forfeitures	3,000	3,000	5,836	2,836
Investment income	-	-	5,118	5,118
Miscellaneous	77,000	77,000	246,372	169,372
Total revenues	<u>3,435,691</u>	<u>3,435,691</u>	<u>5,617,343</u>	<u>2,181,652</u>
Expenditures				
Current:				
General government	495,437	495,437	513,062	(17,625)
Public safety	1,374,635	1,374,635	1,867,243	(492,608)
Physical environment	130,383	130,383	195,461	(65,078)
Transportation	660,791	660,791	749,899	(89,108)
Culture and recreation	174,599	174,599	159,078	15,521
Disaster recovery	161,693	161,693	80	161,613
Capital outlay	93,750	93,750	873,866	(780,116)
Debt service:				
Principal retirement	54,737	54,737	17,284	37,453
Interest and fiscal charges	5,666	5,666	612	5,054
Total expenditures	<u>3,151,691</u>	<u>3,151,691</u>	<u>4,376,585</u>	<u>(1,224,894)</u>
Excess (deficiency) of revenues over expenditures	<u>284,000</u>	<u>284,000</u>	<u>1,240,758</u>	<u>956,758</u>
Other financing sources (uses)				
Transfers out	(284,000)	(284,000)	-	284,000
Proceeds from sale of capital assets	-	-	210,065	210,065
Total other financing sources (uses)	<u>(284,000)</u>	<u>(284,000)</u>	<u>210,065</u>	<u>494,065</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,450,823</u>	<u>1,450,823</u>
Fund balances, beginning of year	7,959,083	7,959,083	7,959,083	-
Fund balances, end of year	<u>\$ 7,959,083</u>	<u>\$ 7,959,083</u>	<u>\$ 9,409,906</u>	<u>\$ 1,450,823</u>

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DISASTER RECOVERY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 34,147,302	\$ 34,147,302
Investment income	-	-	1,864	1,864
Miscellaneous	-	-	391,875	391,875
Total revenues	-	-	34,541,041	34,541,041
Expenditures				
Current:				
Disaster recovery	-	-	9,985,547	(9,985,547)
Capital outlay	-	-	1,291,021	(1,291,021)
Total expenditures	-	-	11,276,568	(11,276,568)
Net change in fund balances	-	-	23,264,473	23,264,473
Fund balances, beginning of year	(12,103,852)	(12,103,852)	(12,103,852)	-
Fund balances, end of year	\$(12,103,852)	\$(12,103,852)	\$ 11,160,621	\$ 23,264,473

NOTE: This schedule is presented for illustrative purposes only. No budget was legally adopted for the Disaster Recovery Fund.

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)							
Proportion of the net pension liability	0.004505838%	0.005272454%	0.006655052%	0.005331589%	0.005299310%	0.005029665%	0.004740202%
Proportionate share of the net pension liability	\$ 340,365	\$ 2,285,159	\$ 2,291,907	\$ 1,605,902	\$ 1,567,500	\$ 1,191,760	\$ 612,261
Covered payroll	1,475,761	1,462,885	1,803,377	1,577,433	1,397,900	1,427,727	1,194,506
Proportionate share of the net pension liability as a percentage of covered payroll	23.06%	156.21%	127.09%	101.80%	112.13%	83.47%	51.26%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)							
Proportion of the net pension liability	0.004167676%	0.004214101%	0.005391065%	0.004488508%	0.004719828%	0.004512518%	0.004341030%
Proportionate share of the net pension liability	\$ 511,228	\$ 514,535	\$ 603,206	\$ 475,069	\$ 504,666	\$ 525,915	\$ 442,717
Covered payroll	1,475,761	1,462,885	1,803,377	1,577,433	1,397,900	1,427,727	1,194,506
Proportionate share of the net pension liability as a percentage of covered payroll	34.64%	35.17%	33.45%	30.12%	36.10%	36.84%	37.06%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)

	For the Fiscal Year Ended September 30,						
	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)							
Contractually required contribution	\$ 172,822	\$ 175,180	\$ 206,355	\$ 193,911	\$ 174,888	\$ 158,839	\$ 146,644
Contributions in relation to the contractually required contribution	(172,822)	(175,180)	(206,355)	(193,911)	(174,888)	(158,839)	(146,644)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,456,407	\$ 1,803,377	\$ 1,803,377	\$ 1,577,433	\$ 1,397,900	\$ 1,427,727	\$ 1,194,506
Contributions as a percentage of covered payroll	11.87%	9.71%	11.44%	12.29%	12.51%	11.13%	12.28%
Health Insurance Subsidy Program (HIS)							
Contractually required contribution	\$ 24,176	\$ 29,936	\$ 29,936	\$ 26,185	\$ 23,205	\$ 23,700	\$ 15,051
Contributions in relation to the contractually required contribution	(24,176)	(29,936)	(29,936)	(26,185)	(23,205)	(23,700)	(15,051)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,456,407	\$ 1,803,377	\$ 1,803,377	\$ 1,577,433	\$ 1,397,900	\$ 1,427,727	\$ 1,194,506
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

SUPPLEMENTARY INFORMATION

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Federal/State Agency / Pass-Through Entity / Federal Program / State Project</u>	<u>CFDA / CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Indirect Programs:			
Passed-through Natural Resources Conservation Service Emergency Watershed Protection Program	10.923	NRCS-ADS-093	\$ 2,529,915
<u>Department of Homeland Security / Federal Emergency Management Administration</u>			
Indirect Programs:			
Pass-Through Florida Division of Emergency Management Disaster Grants - Public Assistance (Hurricane Michael)	97.036	DEM-17-PA-U5-06-74-01-131	25,316,611
<u>U.S. Department of Interior</u>			
Passed-through Florida Fish and Wildlife Conservation Commission:			
Sport Fish Restoration	15.605	20015	60,000
Total Federal Awards			<u><u>\$ 27,906,526</u></u>
STATE FINANCIAL ASSISTANCE			
<u>Executive Office of the Governor</u>			
Direct Programs:			
Hurricane Michael Grant Recovery Program	31.070	F0031	\$ 358,717
<u>State of Florida Department of Financial Services</u>			
Direct Programs:			
Fire Decontamination Equipment	43.013	FM575	1,556
<u>State of Florida Department of Environmental Protection</u>			
Direct Programs:			
Beach Management Funding Assistance Program	37.003	17BA1	345,326
<u>State of Florida Department of Economic Opportunity</u>			
Direct Programs:			
Division of Housing and Community Development	40.038	HL124	466,351
Total State Financial Assistance			<u><u>\$ 1,171,950</u></u>

The accompanying notes to the schedule of expenditures of federal awards and state financial assistance are an integral part of this schedule.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Mexico 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) and Section 215.97, Florida Statutes, *Florida Single Audit Act*. 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, either 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) and Section 215, Florida Statutes, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(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 and state financial assistance to subrecipients.

(5) **Deferred FEMA Expenditures:**

During the fiscal year ended September 30, 2021, the City incurred substantial costs related to Hurricane Michael. 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 and State Financial Assistance until the respective Project Worksheets (PW) have been approved. At September 30, 2021, any expenditures incurred for PWs were for PWs that were approved and obligated. Therefore, at September 30, 2021 there were no deferred FEMA expenditures as the expenditures and the related revenues which have been recorded for financial statement purposes were equal to the amounts recorded on the Schedule of Expenditures of Federal Awards and State Financial Assistance (including amounts recognized in prior years).

(6) **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.

**CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Qualified*

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: \$837,196

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Program Name</u>
97.036	Disaster Grants – Public Assistance (Hurricane Michael)
10.923	Emergency Watershed Protection Program

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major State projects:

Unmodified

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550?

_____ yes X none reported

Dollar threshold used to distinguish between type A and type B programs:

\$351,585

Identification of major State programs:

<u>CSFA Number</u>	<u>Program Name</u>
40.038	Division of Housing and Community Development
31.070	Hurricane Michael Recovery Grant Program

B. Financial Statement Findings:

2021-001 Management Override and Segregation of Duties (Second-Year Repeat Comment)

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Although internal controls are critical in the prevention and detection of fraud, management may still be able to override controls to perpetrate fraud.

Condition: The size of the City's accounting staff and turnover during the year precluded certain internal controls that would be preferred. Certain practices could be implemented to improve existing internal control without impairing efficiency.

Cause: The size of the City's accounting and administrative staff and turnover during the year precluded certain internal controls that would be preferred including: 1) review of journal entries posted to the accounting system by an individual not involved in the creating of the journal entry and 2) restricting access for updating pay rates within the payroll system to management or human resources.

Effect: Errors or material misstatements in the financial statements may exist and not be detected.

Recommendation: We recommend management develop and implement controls that sufficiently segregate duties within the accounting function.

2021-002 Reconciliation of Account Balances and Audit Adjustments (Second-Year Repeat Comment)

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.

Condition: Many significant account balances were not reconciled until a significant period of time after year-end. Substantial journal entries and adjustments were required as a result of audit procedures, including various restatements to correct beginning fund balance and net position balances.

Cause: For the year ended September 30, 2021, 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 and a substantially increased accounting burden in the wake of Hurricane Michael.

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.

2021-003 Timeliness of Bank Reconciliations (Second-Year Repeat Comment)

Criteria: Bank accounts should be reconciled on a timely and regular basis to help prevent misappropriation and ensure the proper recording of all cash transactions.

Condition: Bank reconciliations were not performed timely during the course of the year.

Cause: We noted the City's bank accounts were not reconciled on a timely basis during the year during the year. Additionally, audit adjustments were required during the audit to agree the accounting records to the amount listed on the bank reconciliation. We noted this to be largely due to significant personnel turnover during and subsequent to year-end and a substantially increased accounting burden in the wake of Hurricane Michael.

Effect: Assets could potentially be misappropriated or accounting records could be misstated, with such issues not being identified on a timely basis, if at all.

Recommendation: We recommend the City's finance department perform bank reconciliations within 30 days after the end of the month and ensure all reconciled balances per the bank reconciliations agree to the general ledger.

- C. **Federal Program Findings and Questioned Costs:** None.
- D. **State Project Findings and Questioned Costs:** None.
- E. **Summary Schedule of Prior Audit Findings:** Not applicable as there were no prior year findings.
- F. **Corrective Action Plan:** See Management's Response to findings on page 59.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Mayor, City Council, and City Manager,
City of Mexico Beach, Florida:

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Mexico Beach, Florida's (the City) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and *Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2021. The City's major federal programs and major state projects 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 and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and major state projects 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; 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) and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, 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 or state project 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 and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

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 and state projects for the year ended September 30, 2021.

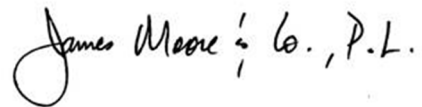
Report on Internal Control over Compliance

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 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 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report 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, looping initial "J".

Tallahassee, Florida
December 15, 2022



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 Council, and City Manager,
City of Mexico 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 Mexico Beach, Florida (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2022.

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.

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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

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" and a distinct "Co." followed by "P.L.".

Tallahassee, Florida
December 15, 2022



**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 Council, and City Manager,
City of Mexico Beach, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Mexico Beach, Florida (the City), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated December 15, 2022.

As discussed in Note (10) to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and water, sewer, and sanitation funds. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and water, sewer, and sanitation funds, has not been determined.

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 State Project and Report on Internal Control over Compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; 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 December 15, 2022, 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. The following findings and recommendations remain uncorrected from the second preceding annual financial report: 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006. See summary schedule of prior audit findings for the follow up of individual comments.

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.

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 noted the following:

2021-004 Financial Emergency (Second-Year Repeat Comment) – As a result of the ongoing impact from Hurricane Michael during the first part of the fiscal year, we noted the City had not paid all uncontested claims from vendors within 90 days, which is a condition noted in section 218.503(1) Florida Statutes, of a financial emergency. While we noted this occurred under exceptional circumstances and the condition was subsequently resolved prior to the end of the year, we recommend management continuously review and monitor the negative fund balance and plan for any further response should the City approach similar circumstances in the near future.

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. As noted above, the results of our financial condition assessment indicated a deteriorating financial condition.

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 recommendation:

2021-005 Budgetary Control (Second-Year Repeat Comment) – Florida Statutes, Chapter 166.241(2) provides that the budget must regulate expenditures of the municipality, and it is unlawful for any officer of municipal government to expend or contract for expenditures in any fiscal year except in pursuant of budgeted expenditures. During our audit, we noted there was no legally adopted budget for the disaster recovery fund. In addition, we noted that the general fund expenditures exceeded the amounts budgeted for. We recommend going forward, the City legally adopt a budget for all funds and that the City maintains a level of expenditures that is within the adopted budget

2021-006 Utility Deposits (Second-Year Repeat Comment) – The City currently has no policy to collect and hold customer deposits on utility accounts. In the event of nonpayment on customer accounts, particularly for any accounts not in the name of the property owner, the City's risk of write-offs and potential cost of future collections is substantially higher than it would be if deposits were collected. We recommend the City contemplate the benefits of implementing a utility deposit policy for new accounts.

2021-007 Building Permit Expenditures (Second-Year Repeat Comment) – Section 553.80(7)(a) of Florida Statutes limits the amount of unexpended building permit funds carried forward to future fiscal years to no more than the City's average operating budget for enforcing the Florida Building Code for the previous four fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees. During our audit, we noted the City does not

specifically budget and track expenditures related to building department activities in a standalone department of the general fund budget. We recommend the City specifically budget and track expenditures related to the building department, whether as a department of the general fund or an entirely separate fund.

2021-008 Debt Compliance – The City has various notes payable outstanding at year end with varying debt covenants. During our audit we became aware that the debt sinking fund was underfunded at year-end. We recommend management act to fund the sinking fund at the level required by the debt covenants.

2021-009 Impact Fee Accounting – At year-end, the City’s impact fees were not being recorded in a separate fund. In late fiscal year 2021, the State of Florida adopted a bill modifying Section 163.31801 (4b), Florida Statutes, which requires impact fees be recorded in a separate accounting fund. We recommend the City transition its impact fees to a separate fund in fiscal year 2022 and in the fiscal year 2023 budget process.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we did not note any such component units that failed to provide the necessary information, nor is any specific special district information required to be reported.

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 Council, 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.



Tallahassee, Florida
December 15, 2022



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Mexico Beach, Florida:

We have examined the City of Mexico Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021. 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, 2021, 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 Mexico Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

A handwritten signature in black ink that reads 'James Moore & Co., P.L.' The signature is written in a cursive, professional style.

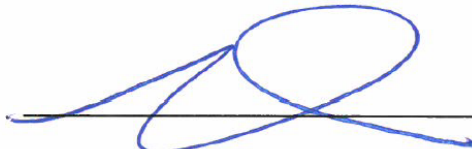
Tallahassee, Florida
June 14, 2022

IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Doug Baber who being duly sworn, deposes and says on oath that:

- 1. I am the Chief Financial Officer of the City of Mexico Beach which is a local government entity of the State of Florida:
- 2. The governing body of the City of Mexico Beach adopted Ordinance No. 483 – Recreational, Police and Fire and Ordinance No. 488 – Water and Sewer implementing an impact fee or authorized the City of Mexico Beach to receive and expend proceeds of an impact fee implemented by the City of Mexico Beach and
- 3. The City of Mexico Beach has complied with and, as of the date of this Affidavit remains in compliance with Section 163.31801, Florida Statutes.

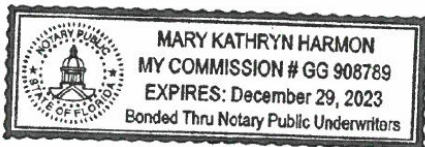
FURTHER AFFIANT SAYETH NAUGHT.




 Doug Baber, City Administrator

STATE OF FLORIDA
COUNTY OF Bay

SWORN TO AND SUBSCRIBED before me this 21 day of June, 2022.





 NOTARY PUBLIC
 Print Name: Mary K. Harmon

Personally, known or produced identification.

Type of identification produced: _____

My Commission Expires: 12.29.23

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2020-001 Management Override and Segregation of Duties

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2020-002 Reconciliation of Account Balances and Audit Adjustments

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2020-003 Timeliness of Bank Reconciliation

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2020-004 Financial Condition and Emergency

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2020-005 Budgetary Control

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2020-006 Utility Deposits

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2020-007 Building Permit Expenditures

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

MANAGEMENT'S RESPONSE TO CURRENT YEAR FINDINGS

2021-001 Management Override and Segregation of Duties

Contact Person: Douglas Baber

Management Response: Mexico Beach will implement internal controls for processing accounting functions in order to better segregate the duties.

Anticipated completion date: Immediate

2021-002 Reconciliation of Account Balances and Audit Adjustments

Contact Person: Douglas Baber

Management Response: Management will apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

Anticipated completion date: Immediate

2021-003 Timeliness of Bank Reconciliation

Contact Person: Douglas Baber

Management Response: Management agrees with the recommendation to have all bank reconciliations prepared within 30 days after the end of the month to ensure all reconciled balances per the bank reconciliations agree to the general ledger.

Anticipated completion date: Immediate

2021-004 Financial Emergency

Management Response: Management notes FEMA reimbursements have continued to come in and does not expect to face another emergency so long as current conditions continue.

2021-005 Budgetary Control

Management Response: Management will prepare and adopt budgets for all funds under the jurisdiction and control of the City.

2021-006 Utility Deposits

Management Response: The City will review and contemplate the benefits of collecting deposits on Utility Billing accounts in the future to determine the feasibility of collecting said deposits and the impact to any future bad debt write offs.

2021-007 Building Permit Expenditures

Management Response: The City will track expenditures for all Building Department expenses in order to adhere to Section 553.80(7)(a) of Florida Statutes.

2021-008 Impact Fee Accounting

Management Response: The City will begin recording impact fees and respective expenses in a separate fund and budgeting for them separately going forward.

2021-009 Debt Compliance

Management Response: The City will adjust amounts being transferred to the debt sinking fund in order to properly fund the respective bond sinking funds in accordance with the bond covenants.