FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

CITY OF ATLANTIC BEACH, FLORIDA

SEPTEMBER 30, 2025

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
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SUPPLEMENTARY INFORMATION

OTHER STATISTICAL INFORMATION

ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS,* ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES; THE *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA; AND OTHER CONTRACT REQUIREMENTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atlantic Beach, Florida (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 16 to the financial statements, the City made a correction to previously issued financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund – Budgetary to Actual Schedule and notes to the schedule, and Required Pension and Other Postemployment Benefits Schedules, 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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual non-major fund financial statements, historical revenues and expenses, schedule of net revenues in accordance with bond resolutions, and other bond covenant disclosures (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the statistical schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated June 26, 2026, 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.

Report on Summarized Comparative Information

We have previously audited the City's 2024 financial statements, and our report dated September 30, 2025, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it was derived.

Purvis Gray

June 26, 2026
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Atlantic Beach, Florida (the City), we offer readers of our financial statements this narrative overview and analysis for the fiscal year ended September 30, 2025.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The purpose of each of the three components of the basic financial statements is described below.

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. They include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between reported as net position. Net position is reported as one of three categories: invested in capital assets net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, referred to as "governmental activities," from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, referred to as "business-type activities." The governmental activities of the City include public safety, road maintenance and construction, parks and recreation, conservation and resource management, and general government, which include administration and other support functions. The business-type activities of the City include the utility, comprised of the water and sewer systems, the stormwater system, the sanitation service and the building code enforcement enterprise fund. The government-wide financial statements can be found by referencing the table of contents of this report.

Fund Financial Statements

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, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be categorized into either governmental funds, proprietary funds, or fiduciary funds.

- **Governmental Funds**

  Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available financial resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating a City'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. Reconciliations are provided between the Governmental Funds Balance Sheet and the Statement of Net Position and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

  The City maintains 14 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund which is considered to be a major fund. Data from the other 13 governmental funds are combined into a single, aggregated presentation called Nonmajor Governmental Funds. Fund data for these non-major governmental funds is provided in the form of combining statements. These combining statements can be found by referencing the table of contents of this report.

  The City adopts an annual appropriated budget for all funds but is only required to present a budget comparison for its special revenue funds. Budgetary comparison schedules can be found by referencing the table of contents of this report and have been provided to demonstrate compliance with the budget.

- **Proprietary Funds**

  The City maintains only one type of proprietary fund and that is enterprise funds. The enterprise funds are used to account for the activities of the water and sewer (utility), stormwater, building code enforcement, and sanitation activities.

  The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Separate information of the utility, stormwater, sanitation and building code enforcement activities can be found in the basic proprietary fund financial statements by referencing the table of contents of this report.

Fund Financial Statements *(concluded)*

- **Fiduciary Funds**
  Fiduciary funds are used to account for resources held for the benefit of parties outside the City (i.e., pension beneficiaries). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found by referencing the table of contents of this report.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found by referencing the table of contents of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule for the General Fund. Required supplementary information can be found by referencing the table of contents of this report.

Changes within the Financial Reporting Entity

During the year, the City reported adjustments/restatements of beginning balances related to changes within the financial reporting entity and the correction of errors.

The changes within the financial reporting entity resulted from certain funds being reported as major or nonmajor funds differently than in the prior year. The correction of an error affected the beginning balance of the General Fund. These adjustments/restatements affect beginning balances only and do not represent current-year activity.

The following table summarizes the reporting units affected and the related adjustments/restatements of beginning balances.

	General Fund	American Rescue Plan Act Special Revenue Fund	Capital Projects Fund	Non-major Governmental Funds
9/30/2024 Fund balance, as previously reported	10,950,916	-	2,193,617	1,265,134
Correction of errors	(126,178)	-	-	-
Change from major to nonmajor fund		-	(2,193,617)	2,193,617
9/30/2024 Fund balance, as restated	$ 10,824,738			$ 3,458,751

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a City's financial position. As can be seen in the summarized table below, the City's assets exceeded liabilities by $111,609,500 at the close of the fiscal year ended September 30, 2025.

By far the largest portion of the City's net position, $83,101,144 (74%), reflects its investment in capital assets (i.e., land, buildings, equipment, and infrastructure), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, $5,293,993 (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $23,214,363 (21%), is used to meet the government's ongoing obligations to citizens and creditors.

Statement of Net Position (Summary)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 16,899,932	$ 16,574,304	$ 20,123,808	$ 20,679,596	$ 37,023,740	$ 37,253,900
Capital assets	53,385,919	52,957,713	35,793,670	34,219,376	89,179,589	87,177,089
Total assets	70,285,851	69,532,017	55,917,478	54,898,972	126,203,329	124,430,989
Deferred outflows	2,475,770	2,339,181	229,451	958,423	2,705,221	3,297,604
Current liabilities	1,585,678	2,182,565	4,613,091	4,293,103	6,198,769	6,475,668
Non-current liabilities	3,422,123	4,731,919	3,276,418	5,984,985	6,698,541	10,716,904
Total liabilities	5,007,801	6,914,484	7,889,509	10,278,088	12,897,310	17,192,572
Deferred inflows	2,754,906	390,723	1,646,834	896,897	4,401,740	1,287,620
Net position:						
Net investment in capital assets	52,356,308	51,827,703	30,744,836	27,511,646	83,101,144	79,339,349
Restricted	1,898,941	1,433,635	3,395,052	3,211,551	5,293,993	4,645,186
Unrestricted	10,743,665	11,304,653	12,470,698	13,959,213	23,214,363	25,263,866
Total net position	$ 64,998,914	$ 64,565,991	$ 46,610,586	$ 44,682,410	$ 111,609,500	$ 109,248,401

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

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Revenues:						
Program Revenues:						
Charges for services	$ 1,451,774	$ 1,394,190	$ 14,552,813	$ 14,123,500	$ 16,004,587	$ 15,517,690
Operating grants/contrib.	919,890	281,272	-	-	919,890	281,272
Capital grants/contrib.	1,277,309	522,608	248,134	564,309	1,525,443	1,086,917
General revenues:						
Property taxes - General	8,021,538	7,241,664	-	-	8,021,538	7,241,664
Pub svc tax/franchise fees	2,147,351	1,975,611	-	-	2,147,351	1,975,611
Transportation fuel taxes	854,185	887,117	-	-	854,185	887,117
Discretionary Sales Surtax	1,300,188	1,270,973			1,300,188	1,270,973
State shared revenue	2,177,046	2,237,681	-	-	2,177,046	2,237,681
Grants	66,271	1,179,539	-	-	66,271	1,179,539
Other	590,364	900,086	806,621	1,134,944	1,396,985	2,035,030
Total revenues	18,805,916	17,890,741	15,607,568	15,822,753	34,413,484	33,713,494
Expenses:						
Governmental activities:						
General government	4,436,463	3,960,982	-	-	4,436,463	3,960,982
Public safety	9,027,448	7,544,514	-	-	9,027,448	7,544,514
Transportation	2,688,631	2,664,233	-	-	2,688,631	2,664,233
Parks and recreation	2,043,118	1,882,586	-	-	2,043,118	1,882,586
management	43,650	41,297	-	-	43,650	41,297
Interest on long-term debt	32,837	35,855	-	-	32,837	35,855
Business-type activities:						
Utility	-	-	8,734,940	8,207,337	8,734,940	8,207,337
Stormwater	-	-	1,926,815	1,539,805	1,926,815	1,539,805
Sanitation	-	-	2,372,931	2,338,794	2,372,931	2,338,794
Building code enforcement	-	-	619,374	580,440	619,374	580,440
Total expenses	18,272,147	16,129,467	13,654,060	12,666,376	31,926,207	28,795,843
Transfers in (out)	25,332	1,493,208	(25,332)	(1,493,208)	-	-
Change in Net Position	559,101	3,254,482	1,928,176	1,663,169	2,487,277	4,917,651
Net position - Beginning	64,439,813	61,311,509	44,682,410	43,019,241	109,122,223	104,330,750
Net position - Ending	$ 64,998,914	$ 64,565,991	$ 46,610,586	$ 44,682,410	$ 111,609,500	$ 109,248,401

Fund Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is a summary of fund activity financial information for the fiscal year, rounded to the nearest thousand dollars:

- **Governmental Funds**

  At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $14,955,709 an increase of $672,220 in comparison with the prior year.

  The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the assigned and unassigned fund balance was $9,265,649, which equated to 55% of total General Fund expenditures. The net result of various revenue, expenditures and other financing sources and uses resulted in a $1,069,225 decrease to the general fund's total fund balance or -10% during the current fiscal year. Property tax revenues increased by $779,874 or 11% from the previous year. This was a result of an increase in the taxable values. General Fund incoming transfers decreased by $195,504, and outgoing transfers increased by $1,419,606. Overall, general fund expenditures increased by $1,367,187 or 9%. This can be attributed primarily to increases in public safety expenditures which account for approximately $925,000 of the increase with the second highest being general government expenditures which increased by approximately $300,000.

  Nonmajor governmental funds consisting of special revenue funds, debt service fund and the capital projects fund which have a combined fund balance of $5,200,226. The net increase in fund balance, after transfers, of the nonmajor governmental funds was $1,741,475. The increase was a result of expenditures and transfers out being less than nonmajor governmental fund revenue and transfers in. In the prior year, nonmajor governmental funds reported a decrease of $492,337.

  - Nonmajor governmental fund revenue increased by approximately $160,870 or 6%.
  - Nonmajor government fund expenditures increased by approximately $583,600 or 100%.
  - Nonmajor governmental fund transfers in increased by approximately $2,047,000 or 745%.
  - Nonmajor governmental fund transfers out increased by approximately $349,400 or 18%.

  The changes in nonmajor governmental fund financial statement elements shown above resulted from activity across several nonmajor governmental funds. These changes were primarily attributable to the Capital Projects Fund and the American Rescue Plan Act Special Revenue Fund, which were reported as nonmajor funds in the current year after being presented as major funds in the prior year.

  General Fund Revenue Highlights:

  - Total general fund revenues for 2025 were approximately $2,132,900 (16%) more than 2024 revenue. Increase in intergovernmental revenue of $879,400 is the largest contributor to this increase. Decreased investment earnings of approximately $214,000 (36%) is the only category that experienced a year-over-year decline.
  - General fund 2025 intergovernmental revenues of $3,452,888 make up 22% of general fund revenues compared to 19% in the prior year. This is an increase of $879,400 over 2024.
  - The City's investment portfolio is valued at approximately $28,011,800 as of September 30, 2025. The general fund's share of investment earnings showed an decrease of approximately $214,000 compared to the prior year due to a decline in the general fund's share of the overall City cash and investment pool.

- The 2025 taxable property values were about 10% higher than the 2024 values. The City Commission voted to reduce the millage rate to 2.7499 mills, instead of keeping the prior year rate of 2.8410. The purpose for adopting the millage rate of 2.7499 was to offer tax relief to the citizens and maintain adequate funding for the existing level of services at the estimated cost and continue to maintain the City's infrastructure and adequate reserves. The final gross taxable property value was $2,913,053,436. Ad valorem taxes of $8,021,538 represent 41% of the General Fund revenues for 2025, as they did in prior year.

General Fund Expenditure Highlights:

- Total general fund expenditures increased in current year by approximately $1,367,200 or 9% when compared to prior year. Capital expenditures decreased by $238,600 (16%) in 2025 compared to 2024. Personnel related costs of the general fund increased by approximately $1,293,000 or 13% when compared to the prior year.

■ **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year the proprietary funds recorded operating revenues of $14,659,161, operating expenses of $13,457,160, net non-operating revenue of $503,373, capital contributions and grants of $248,134 and net transfers out of $25,332. The net position in the proprietary funds increased $1,928,176 as a result of the fiscal year's activities compared to $1,663,169 in the prior year. The unrestricted net position of the enterprise funds amounted to $12,470,698 at the end of fiscal year 2025 compared to $13,959,213 at the end of the prior year.

The utility fund experienced a decline in operating income of $461,561 from $2,442,162 in the prior year to $1,980,601 in the current year. The operating profit as a percentage of operating revenue was 23% in the prior year and 21% in the current year. The Utility Fund reported a positive change in net position in both the current and prior years; however, the increase declined from $2,371,162 in the prior year to $1,773,855 in the current year, a decrease of $597,307. The decline was primarily attributable to higher operating expenses, which increased by approximately $566,000 or 7% in 2025, mainly due to the following:

- Personnel related expenses increased by approximately $287,000 (13%) due to wage rate increases and the addition of employees allocated to the utility fund.
- Repair and maintenance expenses increased by approximately $242,000 (48%) due to the timing of these types of costs.

Stormwater rates stayed constant in fiscal year 2025 as there were no rate changes. The stormwater fund's operating revenue was approximately 56% of the total operating expenses in 2025 compared to 59% for the prior year.

During fiscal year 2025, the sanitation fund reported an increase in net position of approximately $210,700 due to an approximate increase in operating revenue of $78,220 (3%) couple with an increase in operating expenses of approximately $34,100 (1%).

General Fund Budgetary Highlights

Net Budget

The overall net difference from the final budgeted resources (revenues and other financing sources) and adjusted final budgeted uses (expenditures and other financing uses) was a decrease of $2,342,062. The actual decrease in fund balance was $1,069,255. This resulted in a $1,272,807 positive budgetary variance. The budget was amended during the 2025 fiscal year by increasing budgeted expenditures by $962,141. The budget amendments increased budgeted intergovernmental revenue by $220,000 and increased budgeted transfers out by $607,000. The budget was amended to reflect the difference between the original estimates for the year and actual expenditures incurred.

Capital Assets and Debt Administration

Capital Assets—The City's investment in capital assets, net of related depreciation, for its governmental and business-type activities as of September 30, 2025, amounted to $89,179,589. This investment in capital assets includes land, land improvements, land easements, buildings and infrastructure improvements, equipment, and construction in progress.

The total change in the City's capital assets, net of related depreciation, for the current fiscal year was an increase of $428,206 or 1% for governmental activities and an increase of $1,574,294 or 5% for business-type activities.

Capital asset events during the current fiscal year included the following:

- **Governmental Activities**

  Buildings reflected a net decrease of $196,188 because of depreciation expense as there were no additions to this category in 2025.

  Intangible Assets reflected a net increase of $24,386 because of additions that exceeded depreciation. This asset category includes land easements and computer software.

  Improvements Other Than Buildings reflected a net increase of $2,250,575. This represents capital asset increase of approximately $3,000,000 offset by depreciation of approximately $746,000. Totals additions include approximately $2,905,000 of construction in progress that was completed and placed into service during 2025.

  Equipment reflected a net decrease of $139,674. This represents capital asset additions of approximately $275,000, offset by depreciation of approximately $155,000.

  Construction in progress decreased by $1,510,893 resulting from current year additions of $1,395,043 and reductions due to projects placed into service of $2,905,936.

- **Business-type Activities**

  Buildings reflected a net decrease in asset value of $6,333 from depreciation.

  Improvements Other Than Buildings reflected a net increase of $48,246. This represents capital asset increases of approximately $2,125,000, offset by depreciation of approximately $2,076,000.

  Equipment reflected a net decrease of $109,106. This represents capital asset increase of approximately $263,000, offset by depreciation of approximately $155,000.

  Construction in Progress had a net increase of $1,423,466 but included approximately $3,381,100 of current year additions and reductions due to projects placed into service of approximately $1,957,600.

Capital Assets Activity

(net of accumulated depreciation)

as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	$ 13,171,038	$ 13,171,038	$ 1,656,018	$ 1,656,018	$ 14,827,056	$ 14,827,056
Intangibles	111,890	87,504	212,334	212,525	324,224	300,029
Buildings	6,853,672	7,049,860	(1,219)	5,114	6,852,453	7,054,974
Improvements - Other	29,717,210	27,466,635	27,407,316	27,359,070	57,124,526	54,825,705
Equipment	719,575	859,249	691,499	582,393	1,411,074	1,441,642
Construction in progress	2,812,534	4,323,427	5,827,722	4,404,256	8,640,256	8,727,683
Total	$ 53,385,919	$ 52,957,713	$ 35,793,670	$ 34,219,376	$ 89,179,589	$ 87,177,089

Additional information on the City's capital assets can be found in Note 5 of the notes to the financial statements by referencing the table of contents of this report.

Long-term Debt

At the end of the 2025 fiscal year, the City had total long-term debt outstanding of $5,743,000. The amount of $4,818,000 represents the City's debt related to its business type activities. This amount was comprised of debt secured solely by specified revenue sources. A detailed listing of the City's debt can be found on the table below.

Long-Term Debt

as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Governmental Activities:						
Capital Impvt Rev Bonds, Series 2018	925,000	1,010,000	-	-	925,000	1,010,000
Business-type Activities:						
Utilities System Revenue Bond, Series 2014	-	-	1,425,000	2,815,000	1,425,000	2,815,000
Refunding Bank Loan, Series 2021	-	-	3,393,000	3,854,000	3,393,000	3,854,000
Total	$ 925,000	$ 1,010,000	$ 4,818,000	$ 6,669,000	$ 5,743,000	$ 7,679,000

Additional information on the City's long-term debt can be found in Note 6 of the notes to the financial statements by referencing the table of contents of this report.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Atlantic Beach, Finance Director, 800 Seminole Road, Atlantic Beach, Florida 32233.

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide, Fund Financial Statements and Notes to Financial Statements

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2024

	Primary Government			
	Governmental Activities	Business-type Activities	Total	2024 Totals
ASSETS				
Equity in pooled cash and investments	$ 5,968,095	$ 15,232,640	$ 21,200,735	$ 25,070,640
Receivables, current:				
Customer accounts, net	1,490	756,515	758,005	801,036
Intergovernmental and other	1,828,101	-	1,828,101	1,355,409
Notes and leases receivable, net	760	60,783	61,543	80,797
Inventory	143,207	49,872	193,079	159,247
Prepaid expenses	66,963	-	66,963	92,628
Internal balances	286,266	(286,266)	-	-
Due from fiduciary component unit	2,665,907	-	2,665,907	1,056,286
Net pension assets	374,964	229,984	604,948	-
Restricted assets:				
Equity in pooled cash and investments	5,562,659	3,321,138	8,883,797	7,816,412
Capital assets:				
Non-depreciable	15,983,572	7,483,740	23,467,312	23,554,739
Depreciable, net	37,402,347	28,309,930	65,712,277	63,622,350
Notes and leases receivable, noncurrent	1,520	759,142	760,662	821,445
TOTAL ASSETS	70,285,851	55,917,478	126,203,329	124,430,989
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	2,426,695	211,968	2,638,663	3,147,238
Deferred outflows - loss on refunding	-	-	-	107,944
Deferred outflows related to OPEB	49,075	17,483	66,558	42,422
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,475,770	229,451	2,705,221	3,297,604
LIABILITIES				
Accounts payable and accrued expenses	1,148,820	1,633,836	2,782,656	3,045,439
Construction costs payable	104,611	230,834	335,445	266,684
Due to other governments	-	75,813	75,813	84,809
Unearned revenue	296,431	-	296,431	378,003
Accrued interest payable	16,419	35,749	52,168	72,472
Customer deposits	19,397	690,041	709,438	711,839
Long-term obligations:				
Due within one year	341,694	1,946,818	2,288,512	2,195,948
Due in more than one year	3,080,429	3,276,418	6,356,847	10,437,378
TOTAL LIABILITIES	5,007,801	7,889,509	12,897,310	17,192,572
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,589,911	839,666	3,429,577	181,876
Deferred inflows related to OPEB	164,995	58,778	223,773	284,511
Deferred inflows related to leases	-	748,390	748,390	821,233
Total deferred inflows of resources	2,754,906	1,646,834	4,401,740	1,287,620
NET POSITION				
Net investment in capital assets	52,356,308	30,744,836	83,101,144	79,339,349
Restricted for:				
General capital projects	421,157	-	421,157	106,060
Public safety	270,165	-	270,165	215,181
Road maintenance and construction	484,994	-	484,994	454,111
Other purposes	442,961	-	442,961	460,720
Substance use prevention and awareness	279,664	-	279,664	197,563
Debt service	-	156,667	156,667	146,551
Renewal and replacement	-	250,000	250,000	250,000
Utility rate stabilization	-	400,000	400,000	400,000
Utility system improvements	-	2,495,324	2,495,324	2,319,859
Building code enforcement	-	93,061	93,061	95,141
Unrestricted	10,743,665	12,470,698	23,214,363	25,263,866
TOTAL NET POSITION	$ 64,998,914	$ 46,610,586	$ 111,609,500	$ 109,248,401

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grant and Contributions**	**Capital Grant and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**2024 Totals**
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	$ 4,436,463	$ 251,436	$ 27,650	$ 331,359	$ (3,826,018)	$ -	$ (3,826,018)	$ (3,475,105)
Public safety	9,027,448	839,742	463,217	700,450	(7,024,039)	-	(7,024,039)	(6,660,545)
Transportation	2,688,631	250,602	116,091	-	(2,321,938)	-	(2,321,938)	(2,038,353)
Parks and recreation	2,043,118	109,994	-	245,500	(1,687,624)	-	(1,687,624)	(1,785,079)
Conservation and resource management	43,650	-	312,932	-	269,282	-	269,282	63,540
Interest on long-term debt	32,837	-	-	-	(32,837)	-	(32,837)	(35,855)
Total governmental activities	18,272,147	1,451,774	919,890	1,277,309	(14,623,174)	-	(14,623,174)	(13,931,397)
Business-type activities								
Utility	8,734,940	10,430,228	-	128,806	-	1,824,094	1,824,094	2,659,945
Stormwater	1,926,815	1,064,078	-	-	-	(862,737)	(862,737)	(594,995)
Sanitation	2,372,931	2,464,345	-	119,328	-	210,742	210,742	81,457
Building code enforcement	619,374	594,162	-	-	-	(25,212)	(25,212)	(124,974)
Total business-type activities	13,654,060	14,552,813	-	248,134	-	1,146,887	1,146,887	2,021,433
TOTAL PRIMARY GOVERNMENT	$ 31,926,207	$ 16,004,587	$ 919,890	$ 1,525,443	$ (14,623,174)	$ 1,146,887	$ (13,476,287)	$ (11,909,964)
GENERAL REVENUES								
Taxes:								
Property taxes, levied for general purposes					8,021,538	-	8,021,538	7,241,664
Public service taxes and franchise fees					2,147,351	-	2,147,351	1,975,611
Fuel taxes levied for transportation purposes					854,185	-	854,185	887,117
Discretionary Sales Surtax					1,300,188	-	1,300,188	1,270,973
State shared revenue					2,177,046	-	2,177,046	2,237,681
Grants not restricted to specific programs					66,271	-	66,271	1,179,539
Investment earnings (loss)					483,910	651,589	1,135,499	1,873,649
Miscellaneous					89,651	155,032	244,683	151,368
Gain (loss) on disposal of capital assets					16,803	-	16,803	10,013
TRANSFERS					25,332	(25,332)	-	-
Total general revenues and transfers					15,182,275	781,289	15,963,564	16,827,615
CHANGE IN NET POSITION					559,101	1,928,176	2,487,277	4,917,651
NET POSITION, beginning of year					64,565,991	44,682,410	109,248,401	104,330,750
Restatement (Note 15)					(126,178)	-	(126,178)	-
NET POSITION, beginning of year, as restated					64,439,813	44,682,410	109,122,223	104,330,750
NET POSITION, end of year					$ 64,998,914	$ 46,610,586	$ 111,609,500	$ 109,248,401

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2024

	2025			
ASSETS	**General Fund**	**Non-Major Governmental Funds**	**Total**	**2024 Totals**
Equity in pooled cash and investments	$ 5,968,095	$ 5,562,659	$ 11,530,754	$ 13,422,421
Receivables, net				
Customer accounts, net	1,490	-	1,490	1,264
Intergovernmental and other	1,435,395	392,706	1,828,101	1,355,409
Notes receivable, current	760	-	760	760
Inventory	143,207	-	143,207	109,375
Prepaid expenditures	66,963	-	66,963	92,628
Due from other funds	3,387,714	-	3,387,714	2,010,988
Notes receivable, non-current	1,520	-	1,520	1,520
TOTAL ASSETS	$ 11,005,144	$ 5,955,365	$ 16,960,509	$ 16,994,365
LIABILITIES				
Accounts payable and accrued liabilities	1,076,041	72,779	1,148,820	1,650,728
Construction costs payable	64,130	40,481	104,611	120,010
Due to other funds	-	435,541	435,541	420,061
Deposits	16,398	2,999	19,397	15,896
Unearned revenue	93,092	203,339	296,431	378,003
TOTAL LIABILITIES	1,249,661	755,139	2,004,800	2,584,698
FUND BALANCE				
Nonspendable:				
Inventory	143,207	-	143,207	109,375
Prepaids	66,963	-	66,963	92,628
Restricted for:				
Public safety	-	270,165	270,165	215,181
Road maintenance and construction	-	484,994	484,994	454,111
Capital projects	-	421,157	421,157	106,060
Other purposes	-	442,961	442,961	460,720
Substance use prevention and awareness	279,664	-	279,664	197,563
Committed to:				
Conservation and resource management	-	595,036	595,036	325,755
Assigned to:				
Community redevelopment	50,000	-	50,000	50,000
Capital projects	-	3,297,968	3,297,968	2,193,617
Operating reserves	5,069,108	-	5,069,108	4,674,158
Subsequent year budget	1,662,539	-	1,662,539	922,251
Unassigned	2,484,002	(312,055)	2,171,947	4,608,248
TOTAL FUND BALANCES	9,755,483	5,200,226	14,955,709	14,409,667
TOTAL LIABILITIES AND FUND BALANCES	$ 11,005,144	$ 5,955,365	$ 16,960,509	$ 16,994,365

See accompanying notes.

Amounts reported for governmental activities in the statement of net position are different because:

	2025	2024
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 14,955,709	$ 14,409,667
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	53,385,919	52,957,713
The net pension assets are not current financial resources and therefore are not reported in the governmental funds.	374,964	-
Deferred outflows of resources represent an consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	2,475,770	2,339,181
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	(2,754,906)	(390,723)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(16,419)	(17,928)
Long-term liabilities (including bonds and notes payable, compensated absences liability, OPEB obligation, and net pension liabilities) are not due and payable in the current period and, therefore, are not reported in the governmental funds. This is the amount of the long-term obligations	(3,422,123)	(4,731,919)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 64,998,914	$ 64,565,991

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025					
	General Fund	*Formerly Major* American Rescue Plan Act Special Revenue Fund	*Formerly Major* Capital Projects Fund	Non-major Governmental Funds	Total	2024 Totals
REVENUES:						
Property taxes	$ 8,021,538			$ -	$ 8,021,538	$ 7,241,664
Non-property taxes	1,686,733			2,154,373	3,841,106	3,363,483
Licenses and permits	1,040,959			-	1,040,959	940,102
Intergovernmental revenue	3,452,888			183,828	3,636,716	4,081,030
Charges for services	1,058,350			80,679	1,139,029	1,094,450
Fines and forfeitures	138,638			369,916	508,554	268,971
Investment earnings (loss)	373,632			110,277	483,909	803,535
Miscellaneous revenues	119,604			-	119,604	88,875
Total revenues	15,892,342			2,899,073	18,791,415	17,882,110
EXPENDITURES:						
General government	4,071,909			43,651	4,115,560	3,814,274
Public safety	8,128,845			123,564	8,252,409	7,333,968
Transportation	1,935,723			-	1,935,723	1,790,336
Culture/recreation	1,601,765			-	1,601,765	1,365,731
Capital outlay	1,255,333			878,891	2,134,224	6,330,832
Debt service	-			119,346	119,346	122,364
Total expenditures	16,993,575			1,165,452	18,159,027	20,757,505
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,101,233)			1,733,621	632,388	(2,875,395)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,696,932			2,322,985	4,019,917	4,898,254
Transfers (out)	(1,679,454)			(2,315,131)	(3,994,585)	(3,405,046)
Sale of general capital assets	14,500			-	14,500	8,632
TOTAL OTHER FINANCING SOURCES (USES)	31,978			7,854	39,832	1,501,840
NET CHANGE IN FUND BALANCE	(1,069,255)			1,741,475	672,220	(1,373,555)
FUND BALANCE, beginning of year - previously reported	10,950,916	-	2,193,617	1,265,134	14,409,667	15,783,222
Change within financial reporting entity - (major to nonmajor)	-	-	(2,193,617)	2,193,617	-	-
Correction of errors (Note 16)	(126,178)	-	-	-	(126,178)	-
FUND BALANCE, beginning of year - restated	10,824,738	-	-	3,458,751	14,283,489	15,783,222
FUND BALANCE, end of year	$ 9,755,483	$ -	$ -	$ 5,200,226	$ 14,955,709	$ 14,409,667

See accompanying notes.

Amounts reported for governmental activities in the statement of net activities are different because:

	2025	2024
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 672,220	$ (1,373,555)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
This is the amount of capital assets recorded in the current period.	1,808,864	6,211,453
This is the amount of depreciation recorded in the current period.	(1,380,658)	(1,448,273)
This is the book value of dispositions recorded in the current period.	-	(7,149)
Long-term obligations including bonds and notes payable, compensated absences and other post-employment benefit obligations are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:		
This is the repayment of bond principal reported as expenditures in governmental funds.	85,000	85,000
This is the change in accrued interest payable on long-term obligations.	1,509	1,508
This is the change in accrued compensated absences during the year.	(139,252)	65,938
Other postemployment benefit (OPEB) expense is reported in the statement of activities which differs from OPEB expenditures as report in the governmental funds:		
This amount represents the change in deferred inflows related to OPEB.	43,852	(13,372)
This amount represents the change in deferred outflows related to OPEB.	17,935	(10,547)
This amount represents the change in the total OPEB liability.	(55,484)	27,505
Pension expense is reported in the statement of activities which differs from pension expenditures as reported in the governmental finds:		
This amount represents the change in deferred inflows related to pensions.	(2,408,035)	79,181
This amount represents the change in deferred outflows related to pensions.	118,654	(2,831,488)
This amount represents the change in the net pension liability(asset).	1,794,496	2,468,281
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 559,101	$ 3,254,482

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2024

	2025					
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	2024 Totals
ASSETS						
Current assets:						
Equity in pooled cash and investments	$ 14,494,660	$ 271,750	$ -	$ 466,230	$ 15,232,640	$ 16,319,689
Accounts receivables, net	620,534	44,082	91,899	-	756,515	799,772
Leases receivable - current	60,783	-	-	-	60,783	80,037
Inventory	49,872	-	-	-	49,872	49,872
Total current assets	15,225,849	315,832	91,899	466,230	16,099,810	17,249,370
Noncurrent assets:						
Net pension asset	195,326	18,905	-	15,753	229,984	-
Leases receivable - noncurrent	759,142	-	-	-	759,142	819,925
Restricted assets:						
Equity in pooled cash and investments	3,321,138	-	-	-	3,321,138	3,144,942
Capital assets:						
Non-depreciable	5,994,562	1,489,178	-	-	7,483,740	6,060,274
Depreciable, net	22,091,061	6,113,135	96,901	8,833	28,309,930	28,159,102
Total noncurrent assets	32,361,229	7,621,218	96,901	24,586	40,103,934	38,184,243
Total assets	47,587,078	7,937,050	188,800	490,816	56,203,744	55,433,613
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	180,024	17,424	-	14,520	211,968	839,197
Deferred outflows - refunding loss	-	-	-	-	-	107,944
Deferred outflows related to OPEB	12,855	2,159	-	2,469	17,483	11,282
Total deferred outflows of resources	192,879	19,583	-	16,989	229,451	958,423

Continued…

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (concluded)
SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2024

	2025					
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	2024 Totals
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	$ 1,346,202	$ 89,504	$ 180,231	$ 17,899	$ 1,633,836	$ 1,394,711
Construction costs payable	184,962	45,872	-	-	230,834	146,674
Due to other governments	9,494	-	-	66,319	75,813	84,809
Due to other funds	-	-	286,266	-	286,266	534,641
Compensated absences	45,696	1,790	-	4,332	51,818	65,422
Bonds and notes payable, current	1,709,750	185,250	-	-	1,895,000	1,851,000
Total current liabilities	3,296,104	322,416	466,497	88,550	4,173,567	4,077,257
Noncurrent liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	690,041	-	-	-	690,041	695,943
Interest payable	33,591	2,158	-	-	35,749	54,544
Compensated absences	241,600	591	-	7,898	250,089	241,129
Other postemployment obligation payable	75,980	12,759	-	14,590	103,329	84,983
Net pension liability	-	-	-	-	-	840,873
Bonds and notes payable, noncurrent portion	2,923,000	-	-	-	2,923,000	4,818,000
Total noncurrent liabilities	3,964,212	15,508	-	22,488	4,002,208	6,735,472
Total liabilities	7,260,316	337,924	466,497	111,038	8,175,775	10,812,729
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	713,127	69,021	-	57,518	839,666	-
Deferred inflows related to OPEB	43,221	7,258	-	8,299	58,778	75,664
Deferred inflows related to leases	748,390	-	-	-	748,390	821,233
Total deferred inflows of resources	1,504,738	76,279	-	65,817	1,646,834	896,897
NET POSITION						
Net investment in capital assets	23,267,911	7,371,191	96,901	8,833	30,744,836	27,511,646
Restricted for:						
Debt retirement	156,667	-	-	-	156,667	146,551
Renewal and replacement	250,000	-	-	-	250,000	250,000
Utility rate stabilization	400,000	-	-	-	400,000	400,000
Utility system improvements (expendable)	2,495,324	-	-	-	2,495,324	2,319,859
Building code enforcement	-	-	-	93,061	93,061	95,141
Unrestricted	12,445,001	171,239	(374,598)	229,056	12,470,698	13,959,213
Total net position	$ 39,014,903	$ 7,542,430	$ (277,697)	$ 330,950	$ 46,610,586	$ 44,682,410

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025					
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	2024 Total
OPERATING REVENUES:						
Charges for services						
Customer charges	$ 10,381,958	$ 1,064,078	$ 2,463,931	$ 594,162	$ 14,504,129	$ 14,110,566
Miscellaneous revenues	155,032	-	-	-	155,032	64,829
Total operating income	10,536,990	1,064,078	2,463,931	594,162	14,659,161	14,175,395
OPERATING EXPENSES:						
Personnel services	2,582,605	392,756	47,732	414,511	3,437,604	3,094,122
Contractual services	919,935	414,065	2,161,264	58,673	3,553,937	3,239,754
Supplies	532,596	44,438	-	3,446	580,480	602,007
Repairs and maintenance	751,094	111,339	5,808	29,337	897,578	545,006
Utilities	391,470	-	-	-	391,470	383,890
Depreciation	1,694,621	515,373	15,395	11,602	2,236,991	2,358,247
Intergovernmental charges	1,143,384	373,380	138,576	84,132	1,739,472	1,661,712
Other expenses	540,684	57,115	4,156	17,673	619,628	541,665
Total operating expenses	8,556,389	1,908,466	2,372,931	619,374	13,457,160	12,426,403
OPERATING INCOME (LOSS)	1,980,601	(844,388)	91,000	(25,212)	1,202,001	1,748,992
NONOPERATING REVENUE (EXPENSE)						
Connection charges	48,270	-	-	-	48,270	12,595
Franchise fees	-	-	414	-	414	339
Investment earnings (loss)	628,645	11,414	-	11,530	651,589	1,070,115
Interest expense	(183,497)	(18,349)	-	-	(201,846)	(242,073)
Other, net	4,946	-	-	-	4,946	2,100
Total nonoperating revenues (expense)	498,364	(6,935)	414	11,530	503,373	843,076

Continued…

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025					
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	2024 Total
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	$ 2,478,965	$ (851,323)	$ 91,414	$ (13,682)	$ 1,705,374	$ 2,592,068
CAPITAL CONTRIBUTIONS						
System development charges	128,806	-	-	-	128,806	194,636
Capital grants and contributions	-	-	119,328	-	119,328	369,673
Total capital contributions	128,806	-	119,328	-	248,134	564,309
TRANSFERS						
Transfers in	-	579,528	-	229,056	808,584	250,296
Transfers out	(833,916)	-	-	-	(833,916)	(1,743,504)
Total transfers	(833,916)	579,528	-	229,056	(25,332)	(1,493,208)
CHANGE IN NET POSITION	1,773,855	(271,795)	210,742	215,374	1,928,176	1,663,169
NET POSITION, beginning of year	37,241,048	7,814,225	(488,439)	115,576	44,682,410	43,019,241
NET POSITION, end of year	$ 39,014,903	$ 7,542,430	$ (277,697)	$ 330,950	$ 46,610,586	$ 44,682,410

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025					
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Total	2024 Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	$ 10,557,846	$ 1,071,980	$ 2,479,722	$ 585,864	$ 14,695,412	$ 14,113,350
Payments to suppliers	(3,798,185)	(1,255,289)	(2,303,192)	(196,966)	(7,553,632)	(6,611,621)
Payments for salaries and benefits	(2,216,762)	(378,843)	(47,897)	(397,955)	(3,041,457)	(2,997,221)
Net cash flows from operating activities	4,542,899	(562,152)	128,633	(9,057)	4,100,323	4,504,508
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers to other funds	(833,916)	-	-	-	(833,916)	(1,743,504)
Transfers from other funds	-	579,528	-	229,056	808,584	250,296
Cash received (paid) from/to other funds	-	-	(248,375)	-	(248,375)	513,548
Connection charges received	48,270	-	-	-	48,270	12,595
Franchise fees received	-	-	414	-	414	339
Net cash flows from noncapital financing activities	(785,646)	579,528	(247,961)	229,056	(225,023)	(966,726)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets, net of related payables	(3,546,064)	(181,061)	-	-	(3,727,125)	(2,536,875)
Principal paid on notes, bonds and lease obligations	(1,670,300)	(180,700)	-	-	(1,851,000)	(1,815,000)
Interest paid on borrowings and other debt costs	(106,276)	(6,421)	-	-	(112,697)	(152,543)
Capital contributions and impact fees received, net of change in related receivables	128,806	-	119,328	-	248,134	564,309
Net cash flows from capital and related financing activities	(5,193,834)	(368,182)	119,328	-	(5,442,688)	(3,940,109)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on invested funds	628,645	11,414	-	11,530	651,589	1,070,115
Other income	4,946	-	-	-	4,946	2,100
Net cash flows from investing activities	633,591	11,414	-	11,530	656,535	1,072,215
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(802,990)	(339,392)	-	231,529	(910,853)	669,888
CASH AND CASH EQUIVALENTS, beginning of year	18,618,788	611,142	-	234,701	19,464,631	18,794,743
CASH AND CASH EQUIVALENTS, end of year	$ 17,815,798	$ 271,750	$ -	$ 466,230	$ 18,553,778	$ 19,464,631
As shown in the Accompanying Financial Statements						
Equity in cash and investments	$ 14,494,660	$ 271,750	$ -	$ 466,230	$ 15,232,640	$ 16,319,689
Restricted equity in cash and investments	3,321,138	-	-	-	3,321,138	3,144,942
Total cash and cash equivalents	$ 17,815,798	$ 271,750	$ -	$ 466,230	$ 18,553,778	$ 19,464,631
Noncash financing and investing activities:						
Amortization of refunding loss	$ 93,911	$ 14,033	$ -	$ -	$ 107,944	$ 107,942
Total noncash financing and investing activities	$ 93,911	$ 14,033	$ -	$ -	$ 107,944	$ 107,942

Continued…

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025					
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Total	2024 Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 1,980,601	$ (844,388)	$ 91,000	$ (25,212)	$ 1,202,001	$ 1,748,992
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,694,621	515,373	15,395	11,602	2,236,991	2,358,247
(Increase) decrease in accounts receivable	19,564	7,902	15,791	-	43,257	19,242
(Increase) decrease in leases receivable	80,037	-	-	-	80,037	30,963
Increase (decrease) in lease related deferred inflows	(72,843)	-	-	-	(72,843)	(72,843)
(Increase) decrease in amounts due from other governments	-	-	-	(8,298)	(8,298)	10,617
Increase (decrease) in accounts payable	491,170	(254,952)	6,612	(3,705)	239,125	372,143
Increase (decrease) in compensated absences	31,753	(17,798)	-	(9,105)	4,850	(14,737)
Increase (decrease) in amounts due to other governments	(10,192)	-	-	-	(10,192)	(9,730)
Increase (decrease) in customer deposits	(5,902)	-	-	-	(5,902)	(50,024)
(Increase) decrease in OPEB related deferred outflows	(4,636)	(742)	-	(823)	(6,201)	4,256
Increase (decrease) in the total OPEB liability	14,071	2,087	-	2,188	18,346	(12,700)
Increase (decrease) in OPEB related deferred inflows	(11,899)	(2,244)	-	(2,743)	(16,886)	2,803
(Increase) decrease in pension related deferred outflows	432,310	23,808	82,493	88,618	627,229	617,519
Increase (decrease) in the net pension liability	(613,557)	(41,314)	(82,658)	(103,344)	(840,873)	(500,240)
(Increase) decrease in the net pension asset	(195,326)	(18,905)	-	(15,753)	(229,984)	-
Increase (decrease) in pension related deferred inflows	713,127	69,021	-	57,518	839,666	-
Net cash flows from operating activities	$ 4,542,899	$ (562,152)	$ 128,633	$ (9,057)	$ 4,100,323	$ 4,504,508

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2024

	Pension Trust Funds	
ASSETS	**2025**	**2024**
Cash and cash equivalents	$ 882,562	$ 648,347
Accrued income	95,619	98,357
Investments at fair value	51,751,779	47,692,750
Total assets	52,729,960	48,439,454
LIABILITIES		
Accounts payable and accrued liabilities	48,111	32,344
Due to City	2,665,907	1,056,286
Total Liabilities	2,714,018	1,088,630
NET POSITION		
Restricted for pension benefits	$ 50,015,942	$ 47,350,824

See accompanying notes.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Pension Trust Funds	
	2025	**2024**
ADDITIONS		
Contributions:		
City	$ 988,536	$ 1,140,496
Plan members	334,656	288,232
State of Florida	416,020	-
Total contributions	1,739,212	1,428,728
Investment income	4,287,628	8,709,711
Less investment expenses:	(185,191)	(155,193)
Net investment income	4,102,437	8,554,518
Total additions	5,841,649	9,983,246
DEDUCTIONS		
Administrative expenses	223,629	132,957
Payments to retirees and participants	2,952,902	2,635,068
Total deductions	3,176,531	2,768,025
CHANGE IN NET POSITION	2,665,118	7,215,221
NET POSITION, beginning of year	47,350,824	40,135,603
NET POSITION, end of year	$ 50,015,942	$ 47,350,824

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Atlantic Beach, Florida, (the City), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies used in the preparation of these financial statements:

Reporting Entity

The City was incorporated in 1957, under a charter in accordance with the laws of the State of Florida, Florida Statutes Section 57-1126. The City operates under a form of government, which comprises an elected City Commission (four Commissioners and a Mayor-Commissioner) and provides, under the administration of an appointed City Manager, the following services: public safety, public works (streets and infrastructure), recreation, conservation and resource management, sanitation, stormwater, reuse, planning, zoning, water and sewer, and general government services.

In accordance with the Codification of Governmental and Financial Reporting Standards, the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusions would cause the reporting entity's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria for consideration in determining financial accountability. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization; or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City. Based upon the application of these criteria, the City reports the following fiduciary component units:

- General Employees' Retirement Plan
- Police Officers' Retirement Plan

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont…)

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The major exception to this general rule is charges between the City's water and sewer function and various other functions of the City. 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 or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. General revenues include all taxes.

Net position is reported as one of three categories: (1) Net Investment in Capital Assets; (2) Restricted; or (3) Unrestricted.

Fund Financial Statements
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, pension expense, and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, 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.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

- The **Utility Fund** accounts for the activities of the City's water distribution, sewer collection and treatment systems, and reuse system.
- The **Sanitation Fund** accounts for the activities of the City's sanitation system.
- The **Stormwater Fund** accounts for the activities of the City's stormwater system.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont…)

Additionally, the City reports the following fund types:

- **Special Revenue Funds**—The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- **Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.
- **Pension Trust Funds**—These funds account for the activities of the Employees' Retirement System, which accumulates resources for pension benefit payments to qualified police officers and general employees.

Fund Balance Classification
Fund Balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned:

- **Non-Spendable Fund Balance**—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance**—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., ordinance passed by City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance**—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- **Unassigned Fund Balance**—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (concluded)

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the General Fund, the City strives to maintain a fund balance operating reserve of approximately 25% of the subsequent year's budgeted General Fund payroll and operating expenditures.

Proprietary Funds

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

Budgets

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level.

Budgets are adopted for all governmental funds (general, special revenue, and capital projects). The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Commission. All necessary supplemental appropriations are adopted by the City Commission and are included in the reported budgetary data. The budget presented in the accompanying required supplemental information is prepared in conformity with accounting principles generally accepted in the United States of America.

Cash and Investments

Except where prohibited, cash resources of the individual funds are combined to form a pool of cash and investments. These pooled cash, investments and related accrued investment earnings are reported in the financial statements as "Equity in pooled cash and investments" under the City's "pooling" concept (see Note 2). Investment earnings and losses on the pooled cash and investments are distributed to the appropriate funds based on the average monthly balance of investments in each fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

The proprietary funds use this pool as a demand deposit accounts, and accordingly, all amounts in the pool are considered cash and cash equivalents for the purposes of the statement of cash flows.

Investments are valued at fair market value (see Note 2).

Receivables
Receivables are recorded at their net realizable value.

Inter-Fund 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 either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans).

Inventories
Inventories consisting principally of expendable materials, supplies, and fuel are determined by physical count at the City's year-end on an annual basis and are valued at the lower of cost (first-in, first-out) or market. On the balance sheet - governmental funds, the inventory balance reported is considered non-spendable fund balance, which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets. The cost of governmental fund-type inventories is recorded as expenditure when consumed.

Restricted Assets
Certain enterprise fund assets are required to be segregated from other current assets due to various bond indenture agreements and City ordinances. These assets are legally restricted for specific purposes, such as debt service, new construction, and renewals and replacements.

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

Capital Assets
Capital assets, which include property, plant and 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. Property, plant and equipment with initial, individual costs that equal or exceed $1,000 and estimated useful lives of over one year are recorded as capital assets. Capital 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

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

Assets	Years
Buildings and Improvements	10-40
Improvements Other Than Buildings	10-50
Infrastructure	25-100
Machinery and Equipment	3-40

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. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when incurred with the exception of bond insurance, which is amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The City provides compensated absences to eligible employees in accordance with its personnel policies and applicable employment agreements. Compensated absences generally include vacation leave, sick leave, or other paid time off that accumulates and may be carried forward for use in future periods or paid upon separation from service, subject to established limits.

In accordance with GASB Statement No. 101, *Compensated Absences*, the City recognizes a liability for leave that has not been used when the leave is attributable to services already rendered, the leave accumulates, and it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the employee's pay rate as of the financial statement date, including applicable salary-related payments that are directly and incrementally associated with the leave.

For purposes of estimating the compensated absences liability, the City applies a last-in, first-out flow assumption. Under this assumption, leave used by employees is presumed to come first from leave earned in the current period, with accumulated leave balances from prior periods being used only after current-period leave has been exhausted. Accordingly, the liability is based on accumulated leave balances that are more likely than not to be used or paid in future periods.

Compensated absences are reported as liabilities in the government-wide financial statements. A liability is reported in the governmental funds only to the extent the liability is normally expected to be liquidated with expendable available financial resources.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources reported on applicable governmental fund types represent revenues, which are measurable but not available in accordance with the modified accrual basis of accounting. The deferred inflows will be recognized as revenue in the fiscal year they are earned or become available. Deferred outflows of resources represent consumption of net assets that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Unamortized Refunding Loss—the difference between the net reacquisition cost of new debt and the net carrying amount of the old debt is recorded as a deferred outflow of resources. The unamortized refunding loss is recognized as expense over the remaining term of the new debt using the straight-line method.

Pension and OPEB Related—the difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension and OPEB liability and the differences between expected and actual earnings on pension plan investments, are reported as deferred inflows or outflows of resources, to be recognized in expense in future years. Contributions made subsequent to the measurement date, but prior to the reporting date, are reported as deferred outflows of resources.

Lease related – represents the total unrecognized revenue to be received from the City’s antenna placement leases.

Revenue Recognition
Utility revenues are reported on the accrual basis in the accompanying financial statements. Grant revenues are recorded using the modified accrual basis in governmental funds and the accrual basis in the proprietary funds. Restricted grant revenues, which are received but not expended, are recorded as unearned revenues.

Property Taxes
The assessment of all properties and the collection of all property taxes are made through the Property Appraiser and Tax Collector of the City of Jacksonville, Florida. General property taxes are recorded as received, in cash, which approximates taxes levied less discounts for the current fiscal year.

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, interest-bearing certificates are sold for all uncollected real property taxes. Unsold certificates are held by the City of Jacksonville, Florida.

Inter-Fund Transactions
During the course of normal operations, the City has various transactions between funds to construct assets and comply with local ordinances and other legal restrictions. These transactions are reflected as transfers. In addition, certain transfers have been made between systems and accounts of the utility enterprise fund as required by bond covenants.

Prior Period Information
The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City’s financial statements for the year ended September 30, 2024, from which the summarized information was derived.

Leases:

Lessee: The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements when the initial value of the lease liability is deemed to be material. For the year ended September 30, 2025, the City reports no right-to-use lease assets or lease liabilities.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for several noncancellable antenna placement leases. The City recognizes a lease receivable and a deferred inflow of resources in the business-type activities and the enterprise fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the stated interest rate in the lease agreement if available and if not, utilizes a high-quality municipal bond rate based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices nearest to the date of lease commencement.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset, receivable, liability and/or deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease liability.

Implementation of New GASB Pronouncements

During the fiscal year ended September 30, 2025, the City implemented the provisions of GASB Statement No. 101 – *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Implementation of this Statement had no effect on beginning net position.

Future GASB Pronouncement Implementations

The Governmental Accounting Standards Board has issued statements that will become effective in future fiscal years, including Statement No. 103, *Financial Reporting Model Improvements*, Statement No. 104, *Disclosure of Certain Capital Assets*, and Statement No. 105, *Subsequent Events*. The City is evaluating the requirements of these statements and the related impact on its financial statements. Management does not expect implementation to have a material effect on the City's financial position or results of operations.

NOTE 2 – CASH AND INVESTMENTS

The City maintains a cash and investment pool that is designed for use by all funds, except for those monies which are periodically transferred for pension investment purposes. In addition, investments are separately held and individually accounted for where contractual arrangements and bond covenants provide for and require such arrangements.

On September 30, 2025, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was $2,955,260 and the related bank balance was $2,552,195. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit are defined as public deposits. All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, Florida Security for Public Deposits Act (the Act). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution.

Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

The City elected to adopt a written investment policy as authorized under Florida Statutes.

NOTE 2 – CASH AND INVESTMENTS (cont…)

Under the City's investment policies, general investments' activities are authorized to invest in obligations of the U.S. Treasury, demand deposits, U.S. government agency securities, certificates of deposit, U.S. government sponsored enterprises, government and corporate fixed income mutual funds, corporate notes and bonds, and local government investment pools. Pension trust funds can invest in the aforementioned and, additionally, authorized investments include domestic and foreign equity securities, domestic and foreign fixed income securities, and cash equivalent securities.

Following are the investments, credit ratings, and maturities of the City's governmental and business-type activities on September 30, 2025:

	Investment Maturities					
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Total**
Accrued interest	$ 253,729	$ 253,729	$ -	$ -	$ -	253,729
Money market funds / cash	171,514	171,514	-	-	-	171,514
Corporate bonds	10,392,498	1,649,793	8,665,963	76,742	-	10,392,498
U.S. Treasury Obligations and Federal Agency Securities	17,165,340	396,585	16,435,265	333,490	-	17,165,340
Florida PRIME	28,752	28,752	-	-	-	28,752
Total	$ 28,011,833	$ 2,500,373	$ 25,101,228	$ 410,232	$ -	$ 28,011,833

The Florida PRIME component of the cash and investments is an investment in an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Florida PRIME meets all the necessary criteria to report their investments at amortized cost in accordance with GASB Cod. Sec. In5. As of September 30, 2025, there were no redemption fees, maximum transaction amounts or any other requirements that service to limit the City's access to one hundred percent of their account value. The fair value of the City's position in the pool in the same as the value of the pool shares.

The City's fixed income investment balances as of September 30, 2025, are comprised of the following items:

Investment Type	**Moody's Credit Rating**	**Percentage of Total Fixed Income Investments**
Corporate Bonds	Aaa	1.30%
Corporate Bonds	Aa2	1.00%
Corporate Bonds	Aa3	1.50%
Corporate Bonds	A1	5.60%
Corporate Bonds	A2	3.80%
Corporate Bonds	A3	5.20%
Corporate Bonds	Baa1	6.10%
Corporate Bonds	Baa2	7.70%
Corporate Bonds	Baa3	0.40%
Corporate Bonds	Not Rated	5.10%
U.S. Treasury Obligations and Federal Agency Securities	Aaa	43.50%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	18.80%
		100.00%

NOTE 2 – CASH AND INVESTMENTS (cont…)

Listed below are the investments, credit ratings and maturities in the City's pension trust funds on September 30, 2025:

General Employees' Pension Plan:

Investment Type	Fair Value	Investment Maturities: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Total
Money market funds / cash	$ 428,026	$ 428,026	$ -	$ -	$ -	$ 428,026
Corporate bonds	2,849,489	-	2,050,446	617,319	181,724	2,849,489
U.S. Treasury Obligations and Federal Agency Securities	4,358,990	32,961	1,852,092	1,214,857	1,259,080	4,358,990
Total	$ 7,636,505	$ 460,987	$ 3,902,538	$ 1,832,176	$ 1,440,804	$ 7,636,505

Police Officers Pension Plan:

Investment Type	Fair Value	Investment Maturities: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Total
Money market funds / cash	$ 290,720	$ 290,720	$ -	$ -	$ -	$ 290,720
Corporate bonds	1,856,574	120,838	1,216,432	400,875	118,429	1,856,574
U.S. Treasury Obligations and Federal Agency Securities	2,810,565	53,821	1,144,550	790,970	821,224	2,810,565
Total	$ 4,957,859	$ 465,379	$ 2,360,982	$ 1,191,845	$ 939,653	$ 4,957,859

The City's pension trust fund fixed income investment balances as of September 30, 2025, are comprised of the following items:

General Employees' Pension Plan:

Investment Type	Moody's Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	Aaa	0.20%
Corporate Bonds	Aa2	2.10%
Corporate Bonds	Aa3	1.10%
Corporate Bonds	A1	7.50%
Corporate Bonds	A2	5.50%
Corporate Bonds	A3	5.00%
Corporate Bonds	Baa1	4.40%
Corporate Bonds	Baa2	9.70%
Corporate Bonds	Baa3	2.70%
Corporate Bonds	Not Rated	1.40%
U.S. Treasury Obligations and Federal Agency Securities	AAA	33.40%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	27.00%
		100.00%

NOTE 2 – CASH AND INVESTMENTS (cont…)

Police Officers Pension Plan:

Investment Type	**Moody's Credit Rating**	**Percentage of Total Fixed Income Investments**
Corporate Bonds	Aaa	0.20%
Corporate Bonds	Aa2	2.10%
Corporate Bonds	Aa3	1.10%
Corporate Bonds	A1	7.60%
Corporate Bonds	A2	5.50%
Corporate Bonds	A3	5.00%
Corporate Bonds	Baa1	4.50%
Corporate Bonds	Baa2	9.70%
Corporate Bonds	Baa3	2.70%
Corporate Bonds	Not Rated	1.40%
U.S. Treasury Obligations and Federal Agency Securities	Aa1	33.50%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	26.70%
		100.00%

Credit Risk—It is the City's Police Officers' Retirement System Trust Fund's and the City's General Employees' Retirement System Trust Fund's investment policies to, at a minimum, limit 80% of the total fixed income portfolio to those that are rated investment grade of higher. The Police Officers' Retirement System Trust Fund's investment policy defines investment grade as "BBB", Baa", or their equivalent.

Also, no more than 10% (at cost) of the fixed income portfolio total value can be invested in the securities of any single corporate issuer. The maximum allocation to International Equities is 25%.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Finance Director may execute a third-party Custodial Safekeeping Agreement with a commercial bank having trust powers or a trust company which is chartered by the United States government or the State of Florida. All securities purchased and/or collateral obtained by the City shall be properly designated as an asset of the City and held in safekeeping by the trust department or trust company, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping, except by an authorized City staff member. The third-party Custodial Safekeeping Agreement shall include letters of authority from the City with details as to responsibilities of parties, notification of security purchases, sales, deliver, repurchase agreements, wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps, including liability of each party.

NOTE 2 – CASH AND INVESTMENTS (concluded)

Fair Value Measurements

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 Inputs—are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 Inputs—are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs—are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The City's investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value in the hierarchy described above.

The fair value measurements for the City's investments are as follows on September 30, 2025:

		Fair Value Measurements Using			
Investments by Fair Value Level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Reported at Net Asset Value (NAV)**
City Investments:					
Accrued interest	$ 253,729	$ 253,729	$ -	$ -	-
Money Markets	200,266	200,266	-	-	-
Corporate Bonds	10,392,498	-	10,392,498	-	-
U.S. Treasury Obligations and					-
Federal Agency Securities	17,165,340	-	17,165,340	-	-
Subtotal - City Investments	28,011,833	453,995	27,557,838	-	-
General Employees' Pension Plan:					
Money Markets	428,026	428,026	-	-	-
Corporate Bonds	2,849,489	-	2,849,489	-	-
U.S. Treasury Obligations and					
Federal Agency Securities	4,358,990	-	4,358,990	-	-
Mutual Funds - Equities	2,823,164	2,823,164	-	-	-
ETFs	6,384,017	6,384,017	-	-	-
Alternative Investments - Hedge Funds	602,061	-	602,061	-	602,061
Equities	13,871,086	13,871,086	-	-	-
Subtotal - General Employees' Pension Plan	31,316,833	23,506,293	7,810,540	-	602,061
Police Officers' Pension Plan:					
Money Markets	290,720	290,720	-	-	-
Corporate Bonds	1,856,574	-	1,856,574	-	-
U.S. Treasury Obligations and					
Federal Agency Securities	2,810,565	-	2,810,565	-	-
Mutual Funds - Equities	1,844,980	1,844,980	-	-	-
ETFs	4,168,896	4,168,896	-	-	-
Alternative Investments - Hedge Funds	394,454	-	-	-	394,454
Equities	9,041,309	9,041,309	-	-	-
ICMA Self Directed	27,448	27,448	-	-	-
Subtotal - Police Officers' Pension Plan	20,434,946	15,373,353	4,667,139	-	394,454
Total Investments Measured at Fair Value	$ 79,763,612	$ 39,333,641	$ 40,035,517	$ -	$ 996,515

NOTE 3 – RECEIVABLES

Receivables, net of the allowance for doubtful accounts on September 30, 2025, consist of the following:

Fund	Total Accounts Receivable	Less Allowance for Doubtful Accounts	Accounts Receivable Net
General Fund	$ 1,490	$ -	$ 1,490
Utility Fund	1,307,398	(686,864)	620,534
Stormwater Fund	86,288	(42,206)	44,082
Sanitation Fund	159,463	(67,564)	91,899
Total	$ 1,554,639	$ (796,634)	$ 758,005

Included in accounts receivable are $295,882 of water and sewer revenues earned but not billed as of September 30, 2025.

NOTE 4 – LEASES

Lease Receivable – The City has one reportable lease receivable related to antenna lease agreements originally executed in 2005. The lease term includes an initial 5-year period with the option of 5 separate 5-year renewal periods thereafter. The lease term ends in 2035 and the lease payments are increased by 3.3% each year.

The City also entered into a new antenna placement lease during 2022 whose lease term includes an initial term of 5 years with the option of 4 5-year renewal periods thereafter ending in 2046. The lease payments are increased by 2% each year.

The City recognized $39,817 in lease revenue and $31,008 of interest revenue during the fiscal year related to these two leases. On September 30, 2025, the City's receivable for lease payments was $819,925 and reported in the City's utility enterprise fund. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. On September 30, 2025, the balance of the deferred inflow of resources was $748,390.

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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2025, is as follows:

	Balance October 1, 2024	Transfers	Increases	Decreases	Balance September 30, 2025
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 13,171,038	$ -	$ -	$ -	$ 13,171,038
Construction in process	4,323,427	(2,905,936)	1,395,043	-	2,812,534
Total capital assets, not being depreciated	17,494,465	(2,905,936)	1,395,043	-	15,983,572
Capital assets, being depreciated:					
Buildings	10,519,603	-	-	-	10,519,603
Intangible assets	574,906	-	48,225	-	623,131
Improvements other than buildings	48,757,895	2,905,936	90,639	-	51,754,470
Machinery and equipment	7,951,595	-	274,957	(239,532)	7,987,020
Total capital assets, being depreciated	67,803,999	2,905,936	413,821	(239,532)	70,884,224
Less accumulated depreciation for:					
Buildings	(3,469,743)	-	(196,188)	-	(3,665,931)
Intangible assets	(487,402)	-	(23,839)	-	(511,241)
Improvements other than buildings	(21,291,260)	-	(746,000)	-	(22,037,260)
Machinery and equipment	(7,092,346)	-	(414,631)	239,532	(7,267,445)
Total accumulated depreciation	(32,340,751)	-	(1,380,658)	239,532	(33,481,877)
Total capital assets being depreciated, net	35,463,248	2,905,936	(966,837)	-	37,402,347
Governmental activities capital assets, net	$ 52,957,713	$ -	$ 428,206	$ -	$ 53,385,919
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 1,656,018	$ -	$ -	$ -	$ 1,656,018
Construction-in-progress	4,404,256	(1,957,640)	3,381,106	-	5,827,722
Total capital assets, not being depreciated	6,060,274	(1,957,640)	3,381,106	-	7,483,740
Capital assets, being depreciated:					
Buildings	4,354,563	-	-	-	4,354,563
Intangible assets	244,709	-	-	-	244,709
Improvements other than buildings	90,567,763	1,957,640	166,918	-	92,692,321
Machinery and equipment	4,266,232	-	263,261	(194,826)	4,334,667
Total capital assets, being depreciated	99,433,267	1,957,640	430,179	(194,826)	101,626,260
Less accumulated depreciation for:					
Buildings	(4,349,449)	-	(6,333)	-	(4,355,782)
Intangible assets	(32,184)	-	(191)	-	(32,375)
Improvements other than buildings	(63,208,693)	-	(2,076,312)	-	(65,285,005)
Machinery and equipment	(3,683,839)	-	(154,155)	194,826	(3,643,168)
Total accumulated depreciation	(71,274,165)	-	(2,236,991)	194,826	(73,316,330)
Total capital assets being depreciated, net	28,159,102	1,957,640	(1,806,812)	-	28,309,930
Business-type activities capital assets, net	$ 34,219,376	$ -	$ 1,574,294	$ -	$ 35,793,670

NOTE 5 – CAPITAL ASSETS (concluded)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
General government	$	184,153
Public safety		289,963
Transportation		582,415
Parks and recreation		324,127
Total depreciation expense - governmental activities	$	1,380,658

Business-type Activities:		
Utility	$	1,694,621
Stormwater		515,373
Sanitation		15,395
Building Code Enforcement		11,602
Total depreciation expense - business-type activities	$	2,236,991

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NOTE 6 – LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term obligations of the City for the year ended September 30, 2025:

	Balance October 1, 2024	Increases	Decreases	Balance September 30, 2025	Amounts Due within One Year
Governmental Activities:					
Long-term debt:					
Capital Improvement Revenue Bond, Series 2018	$ 1,010,000	$ -	$ (85,000)	$ 925,000	$ 90,000
Total long-term debt	1,010,000	-	(85,000)	925,000	90,000
Other liabilities:					
OPEB obligation	234,567	55,484	-	290,051	-
Net pension liability	2,518,699	-	(1,419,532)	1,099,167	-
Compensated absences	968,653	139,252	-	1,107,905	251,694
Total other liabilities	3,721,919	194,736	(1,419,532)	2,497,123	251,694
Total long-term obligations	$ 4,731,919	$ 194,736	$ (1,504,532)	3,422,123	$ 341,694
Less amounts due in one year				(341,694)	
Total noncurrent obligations due in more than one year				$ 3,080,429	
Business-type Activities:					
Long-term debt:					
Utility System Revenue Refunding Bond, Series 2014	$ 2,815,000	$ -	$ (1,390,000)	$ 1,425,000	$ 1,425,000
Refunding Bank Loan Series 2021	3,854,000	-	(461,000)	3,393,000	470,000
Total bonds and notes payable	6,669,000	-	(1,851,000)	4,818,000	1,895,000
Other liabilities:					
OPEB obligation	84,983	18,346	-	103,329	-
Net pension liability	840,873	-	(840,873)	-	-
Compensated absences	306,551	-	(4,644)	301,907	51,818
Total other liabilities	1,232,407	18,346	(845,517)	405,236	51,818
Total long-term liabilities	$ 7,901,407	$ 18,346	$ (2,696,517)	5,223,236	$ 1,946,818
Less amounts due in one year				(1,946,818)	
Net long-term liabilities in excess of one year				$ 3,276,418	

Notes to the Long-Term Obligations Table:

Long term liabilities, including accumulated compensated absences, OPEB liability and the City's net pension liabilities, are typically liquidated by the individual fund to which the liability is directly associated.

All of the City's long-term debt arose through direct borrowings or direct placements.

Governmental Activities:

- Capital Improvement Revenue Bond, Series 2019 – Payable in annual installment of principal and semiannual installments of interest through October 1, 2033, bearing coupon rates of 3.550%, secured solely by a pledge of non-advalorem revenues.

NOTE 6 – LONG-TERM OBLIGATIONS (cont…)

Notes to the Long-Term Obligations Table:

Business-type Activities

- Utilities System Revenue Refunding Bond, Series 2014, Payable in Annual Installments of Principal and Semiannual Installments of Interest Through October 1, 2025, Bearing Coupon Rates of 2.330%, Secured Solely by a Pledge of and Lien on Net Water and Sewer System Revenues and Certain Other Revenues as Defined in the Bond Ordinance.
- Refunding Bank Loan Series 2021 was issued on May 17, 2021 in the amount of $5,193,000 to refund the FDEP loans #DW160710 and #WW160700. The FDEP loans were originally used for water and wastewater system improvements. The Refunding Bank Loan Series 2021 is payable in semiannual installments of principal and interest through May 15, 2032 with an effective interest rate of 1.69% and is secured solely by a pledge of net water and sewer system revenues, after payment of all yearly payment obligations on account of the senior revenue obligations, as defined in the loan agreement.

Notes to the Long-Term Obligations Table:

The annual requirements to amortize all revenue bonds and loans payable outstanding on September 30, 2025, are as follows:

	Governmental Activities		Business-type Activities	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**
2026	$ 90,000	$ 31,240	$ 1,895,000	$ 72,056
2027	90,000	28,045	478,000	47,463
2028	95,000	24,761	487,000	39,329
2029	100,000	21,300	496,000	31,050
2030	100,000	17,750	502,000	22,627
2031-2035	450,000	32,838	960,000	20,077
Total	$ 925,000	$ 155,934	$ 4,818,000	$ 232,602

Interest and amortization expenses incurred during the year ended September 30, 2025, amounted to $234,683.

The City is also required to maintain certain debt service coverage ratios in accordance with bond resolutions. As of September 30, 2025, and during the year then ended, the City was in compliance with those ratios.

NOTE 6 – LONG-TERM OBLIGATIONS (concluded)

Pledged Revenue

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2024. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amounts of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2025:

Description	Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
2014 - Utility System Refunding Bonds	Utility Net Revenues	2026	$ 1,441,601	$ 1,439,661	$ 4,352,137	
Refunding Bank Loan, Series 2021	Utility Net Revenues	2032	3,609,001	524,301	4,352,137	
Total			$ 5,050,602	$ 1,963,962	$ 4,352,137	221.60%

Remedies in the Event of Default

The City's debt obligations all allow for the obligors to take whatever legal actions necessary to collect the amounts due in the event of default.

Conduit Debt

The City has issued Health Facility Revenue and Refunding Bonds to provide financial assistance to private sector entities for the acquisition and construction of health care facilities deemed to be in the public interest. These bonds are secured by the financed property and are payable solely from the payments received on the underlying mortgage loans.

There is no obligation on the part of the City or any political subdivision for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2024, there are two series of Health Facility Revenue and Refunding Bonds outstanding, with an aggregate principal amount payable of $116,785,000.

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NOTE 7 – DEFINED BENEFIT PENSION PLANS

Plan Descriptions

The City maintains two separate single employer defined benefit pension plans, one for police officers and one for general employees, which cover substantially all full-time City employees hired before September 1, 2008. The general employees' defined benefit plan is closed to new entrants. Full-time general employees hired on or after September 1, 2008, are covered by the defined contribution plan disclosed in Note 8. The pension plans do not issue separate stand-alone financial statements. Combining statements are included below in NOTE 7 of the notes to financials statements. As of, and for the year ended September 30, 2025, the two plans have the following balances reported in the government-wide financials statements:

Retirement Plan	Total Pension Liability	Net pension liability (asset)	Deferred outflows of resources	Deferred inflows of resources	Pension expense (benefit)
General Employees'	$ 27,234,843	$ (604,948)	$ 557,556	$ 2,208,639	$ 1,596,669
Police Officers'	20,610,200	1,099,167	2,081,107	1,220,938	695,191
	$ 47,845,043	$ 494,219	$ 2,638,663	$ 3,429,577	$ 2,291,860

Detailed disclosures for each plan follow.

General Employees' Retirement Plan

Plan Description

The General Employees' Retirement Plan (the Plan) provides retirement, disability, and death benefits to Plan members and their beneficiaries. The City Commission has the authority to establish and amend the benefit provisions of the Plan. The Plan is governed by a Retirement Plan Board appointed by the City Commission and comprised of five members, two of which will be eligible legal residents of the City, two of which will be general employees elected by the majority of general employees who are members of the Plan, and one of which will be elected by the other four members. Plan membership in the General Employees' Retirement Plan on September 30, 2024 and 2023 (latest actuarial data available), were as follows:

	September 30 2024	September 30 2023
Inactive plan members or beneficiaries currently receiving benefits	83	84
Inactive plan members entitled to but not yet receiving benefits	5	6
Active plan members	14	15
Total	102	105

Plan Benefits

Normal retirement is available upon the attainment of age sixty and the completion of five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty-five and the completion of five years of credited service. For members hired before April 24, 2005, the normal retirement benefit shall equal 2.85% of average final compensation for each year of credited service. For members hired on or after April 24, 2005, the normal retirement benefit shall equal 2.50% of average final compensation for each year of credited service. The Plan includes a deferred retirement option program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2025 there were no accumulated DROP balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

Contributions

The City is required to contribute an actuarially determined amount of $557,528 (47% of covered payroll) for the year ended September 30, 2025. City contributions to the Plan were $557,556 for the year ended September 30, 2025. Plan members are required to contribute 6.0% of their annual covered salary. Contribution requirements are established by City code, which may be amended by the City Commission.

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2024, one year prior to the reporting date. The City's Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2025, are also included below.

Net Pension Liability

The components of the changes in the net pension liability for the Plan for the year ended September 30, 2025 (September 30, 2024 measurement date) is shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Reporting period ending 9/30/2024	$ 25,579,142	$ 23,871,925	$ 1,707,217
Changes for the year:			
Service cost	202,244	-	202,244
Interest	1,676,388	-	1,676,388
Difference between actual and expected experience	456,791	-	456,791
Change in assumptions	1,212,294	-	1,212,294
Contributions - City	-	689,268	(689,268)
Contributions - employee	-	72,724	(72,724)
Net investment income	-	5,169,751	(5,169,751)
Benefit payments, including refunds of employee contributions	(1,892,016)	(1,892,016)	-
Administrative expense	-	(71,861)	71,861
Net changes	1,655,701	3,967,866	(2,312,165)
Reporting period ending 9/30/2025	$ 27,234,843	$ 27,839,791	$ (604,948)

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

The components of the net pension liability (asset) for the Plan as of the September 30, 2025 measurement date were as follows:

Total pension liability	$ 27,587,865
Plan fiduciary net position	(28,685,224)
Net pension liability (asset)	$ (1,097,359)
Plan fiduciary net position as a percentage of the total pension liability	104%

For the year ended September 30, 2025, the City recognized a total pension expense of $1,596,669. The City reported deferred outflows of resources and deferred inflows of resources related to the General Employees' Pension Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on Plan investments	$ -	$ 2,208,639
City contributions subsequent to the measurement date	557,556	-
Total	$ 557,556	$ 2,208,639

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability (or increase in the net pension asset) in the fiscal year ended September 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2026	$ (555,238)
2027	130,537
2028	(1,040,983)
2029	(742,955)
	$ (2,208,639)

Plan Investments

The Retirement Plan Board is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy gives the Board discretion to allocate assets with assistance of the Plan's investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 8.53% and 22.38% for the years ended September 30, 2025 and 2024, respectively.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

Actuarial Assumptions

The total pension liability was determined by actuarial valuations for the Plan as of October 1, 2023, rolled forward to the measurement date of September 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	Age based ranging from 4.80% to 9.50% (including 2.50% price inflation).
Investment Rate of Return:	6.25% per year compounded annually, net of investment expenses.
Mortality:	Pub-2010 Headcount-Weighted Mortality Tables are used with mortality improvements projected for nondisabled lives to all future years using Scale MP-2018.
Date of Experience Study:	Dated August 9, 2017 for the period October 1, 2009 to September 30, 2016

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation of 2.40%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plans' investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Net Rate of Return
Large Cap Equity	33%	6.05%
Small/Mid Cap Equity	10%	5.75%
International Equities	15%	5.00%
Fixed Income (70% core/30% Short-term)	30%	1.40%
Alternatives (50% REITS/50% MLPS)	6%	5.44%
Cash and Equivalents	6%	0.80%

Discount Rate

A single discount rate was used to measure the total pension liability. The single discount rate was based on the expected rate of return on Plan investments of 6.25%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments (6.25%) was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate noted below, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for both the measurement date of September 30, 2024 and the financial reporting date of September 30, 2025.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2024	6.75%	$ 2,099,666	$ (604,948)	$ (2,954,441)
9/30/2025	6.25%	$ 1,483,178	$ (1,097,359)	$ (3,578,996)

Police Officers' Retirement Plan

Plan Description
The Police Officers' Retirement Plan (the Police Plan) provides retirement, disability, and death benefits to Police Plan members and their beneficiaries. The Police Plan is governed by the Policemen's Pension Board of Trustees, although the City Commission retains the authority to establish and amend the benefit provisions of the Police Plan. The Policemen's Pension Board of Trustees is appointed by the City Commission and comprised of five members, two of which will be eligible legal residents of the City, two of which will be police officers elected by the majority of police officers who are members of the Police Plan, and one of which will be elected by the other four trustees. Membership in the Police Officers' Retirement Plan as of the September 30, 2024 and 2023 measurement dates (latest actuarial data available), were as follows:

	September 30 2024	September 30 2023
Inactive plan members or beneficiaries currently receiving benefits	22	21
Inactive plan members entitled to but not yet receiving benefits	5	5
Active plan members	28	25
Total	55	51

Plan Benefits
For members hired before January 1, 2013, normal retirement is available upon the attainment of age fifty and the completion of twenty years of credited service, the attainment of age fifty-five and the completion of ten years of credited service, the completion of twenty-five years of credited service regardless of age, or the attainment of age sixty and the completion of five years of credited service. For members hired on or after January 1, 2013, normal retirement is available upon the attainment of age fifty-five and the completion of ten years of credited service or the attainment of age fifty-two and the completion of twenty-five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

For members hired before January 1, 2013, the normal retirement benefit shall equal 3.00% of average final compensation for each year of credited service. For members hired on or after January 1, 2013, the normal retirement benefit shall equal 2.00% of average final compensation for each year of credited service. The Police Plan includes a DROP under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2025, Police Plan net position included $55,163 of DROP account balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

Contributions

The City is required to contribute an actuarially determined amount of $596,113 (26.5% of covered payroll) for the year ended September 30, 2025. The City may use State contributions to offset this required contribution. City and State contributions to the Police Plan were $847,000 for the year ended September 30, 2025. Police Plan members are required to contribute 8.0% of their annual covered salary. Per City Code, the City Commission may amend established contribution requirements.

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2024, one year prior to the reporting date. The City's Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2025, are also included below.

Net Pension Liability

The components of the changes in the net pension liability for the Police Plan for the year ended September 30, 2025 (September 30, 2024 measurement date) is shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Reporting period ending 9/30/2024	$ 17,916,032	$ 16,263,678	$ 1,652,354
Changes for the year:			
Service cost	453,970	-	453,970
Interest	1,215,576	-	1,215,576
Difference between actual and expected experience	705,395	-	705,395
Changes of assumptions	1,042,161	-	1,042,161
Contributions - City	-	451,228	(451,228)
Contributions - employee	-	215,508	(215,508)
Net investment income	-	3,384,767	(3,384,767)
Benefit payments, including refunds of employee contributions	(722,934)	(743,052)	20,118
Administrative expense	-	(61,096)	61,096
Net changes	2,694,168	3,247,355	(553,187)
Reporting period ending 9/30/2025	$ 20,610,200	$ 19,511,033	$ 1,099,167

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

The components of the net pension liability (asset) for the Police Plan as of the September 30, 2025 measurement date were as follows:

Total pension liability	$ 23,158,331
Plan fiduciary net position	(21,330,718)
Net pension liability (asset)	$ 1,827,613
Plan fiduciary net position as a percentage of the total pension liability	92%

For the year ended September 30, 2025, the City recognized total pension expense of $695,191. The City reported deferred outflows of resources and deferred inflows of resources related to the Police Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 517,621	$ 51,740
Change in assumptions	716,486	-
Net difference between projected and actual earnings on Plan investments	-	1,169,198
City contributions subsequent to the measurement date	847,000	-
Total	$ 2,081,107	$ 1,220,938

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability (or increase in the net pension asset) in the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2026	$ 277,622
2027	677,215
2028	(484,390)
2029	(457,278)
	$ 13,169

Plan Investments

The Policemen's Pension Board of Trustees is responsible for establishing and amending the Police Plan's investment policies. The Police Plan's current investment policy gives the Board discretion to allocate assets with assistance of the Police Plan's investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 8.41% and 22.47% for the years ended September 30, 2025 and 2024, respectively.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

Actuarial Assumptions

The total pension liability was determined by actuarial valuations for the Plan as of October 1, 2023, rolled forward to September 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	Age based ranging from 4.50% to 18.50% (including 2.50% price inflation.
Investment Rate of Return:	6.25% per year compounded annually, net of investment expenses.
Mortality:	Pub-2010 Headcount-Weighted Mortality Tables are used with mortality improvements projected for nondisabled lives to all future years using Scale MP-2018.
Date of Experience Study:	Dated August 9, 2017 for the period October 1, 2009 to September 30, 2016

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation of 2.40%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plans' investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Net Rate of Return
Large Cap Equity	33%	6.05%
Small/Mid Cap Equity	10%	5.75%
International Equities	15%	5.00%
Fixed Income (70% core/30% Short-term)	30%	1.40%
Alternatives (50% REITS/50% MLPS)	6%	5.44%
Cash and Equivalents	6%	0.80%

Discount Rate

A single discount rate was used to measure the total pension liability. The single discount rate was based on the expected rate of return on Plan investments of 6.25%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments (6.25%) was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont…)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate noted below, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for both the measurement date of September 30, 2024 and the financial reporting date of September 30, 2025.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2024	6.75%	$ 3,149,910	$ 1,099,167	$ (619,308)
9/30/2025	6.25%	$ 4,481,412	$ 1,827,613	$ (479,049)

The Statements of Fiduciary Net Position for the City's pension trust funds for the year ended September 30, 2025 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	**Police Officers' Retirement Plan**	**2025 Totals**	**2024 Totals**
ASSETS				
Cash and cash equivalents	$ -	$ 882,562	$ 882,562	$ 648,347
Accrued income	58,081	37,538	95,619	98,357
Investments at fair value	31,316,833	20,434,946	51,751,779	47,692,750
Total assets	31,374,914	21,355,046	52,729,960	48,439,454
LIABILITIES				
Accounts payable and accrued liabilities	23,783	24,328	48,111	32,344
Due to City	2,665,907	-	2,665,907	1,056,286
Total Liabilities	2,689,690	24,328	2,714,018	1,088,630
NET POSITION				
Restricted for pension benefits	$ 28,685,224	$ 21,330,718	$ 50,015,942	$ 47,350,824

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NOTE 7 – DEFINED BENEFIT PENSION PLANS (concluded)

The Statements of Changes in Fiduciary Net Position for the City's pension trust funds for the year ended September 30, 2025 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	**Police Officers' Retirement Plan**	**2025 Totals**	**2024 Totals**
ADDITIONS				
Contributions:				
City	$ 557,556	$ 430,980	$ 988,536	$ 1,140,496
Plan members	71,537	263,119	334,656	288,232
State of Florida	-	416,020	416,020	-
Total contributions	629,093	1,110,119	1,739,212	1,428,728
Investment income	2,574,016	1,713,612	4,287,628	8,709,711
Less investment expenses:	(114,538)	(70,653)	(185,191)	(155,193)
Net investment income	2,459,478	1,642,959	4,102,437	8,554,518
Total additions	3,088,571	2,753,078	5,841,649	9,983,246
DEDUCTIONS				
Administrative expenses	133,183	90,446	223,629	132,957
Payments to retirees and participants	2,109,955	842,947	2,952,902	2,635,068
Total deductions	2,243,138	933,393	3,176,531	2,768,025
CHANGE IN NET POSITION	845,433	1,819,685	2,665,118	7,215,221
NET POSITION, beginning of year	27,839,791	19,511,033	47,350,824	40,135,603
NET POSITION, end of year	$ 28,685,224	$ 21,330,718	$ 50,015,942	$ 47,350,824

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NOTE 8 – DEFINED CONTRIBUTION PLAN

The City passed an ordinance in 2013 closing the General Employees' defined benefit plan to new entrants and creating the City of Atlantic Beach Defined Contribution Plan. The City's 457 defined contribution plan is administered through ICMA, which covers all eligible employees employed with the City on or after September 1, 2008, who are not covered by the City's Police Officers' defined benefit plan. Under the 457 Plan, the City contributes an employer matching contribution of up to 6% of earnings during the first ten years of service. Following ten years of service, the City contributes an additional fixed contribution of 4% of earnings for a total of 10%. Employees have the option to voluntarily contribute to the 457 Plan. Employer matching contributions from the City were $265,823 and $229,070 for the years ended September 30, 2025 and 2024, respectively. Under the 457 Plan, an employee is considered fully vested after 5 years of completed service.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Atlantic Beach administers a single employer defined benefit health care plan (the Plan) that provides medical insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established by the City Commission and may be amended by the City Commission. The City does not issue stand-alone financial statements for the Plan.

Membership in the Plan consisted of the following, as of September 30, 2023, the valuation date of the latest actuarial valuation:

	September 30, 2023
Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	109
Total	110

Funding Policy

Contribution rates for the Plan are established on an annual basis by the City Commission. Eligible retirees and their covered dependents receiving benefits contribute 100% of the blended (active and retiree combined) equivalent premium rates. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a blended, group rate constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered to be another postemployment benefit (OPEB) obligation of the City.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont…)

Actuarial Methods and Assumptions

For the September 30, 2023 actuarial valuation (used for the September 30, 2024 measurement date), the Entry Age Normal Actuarial Cost Method was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant. The current years' service cost is the participant's compensation multiplied by the service cost rate. Under this method, service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement.

Other actuarial assumptions are as follows:

Discount Rate: 3.81%

Investment Rate of Return: 0.0%

Salary Increases: Rates used in the October 1, 2023 actuarial valuation of the City's pension plans.

Healthcare Cost Trend: Based on Getzen Model, with trend of 8.70% for 2024, 6.00% for 2025 and then gradually decreasing to an ultimate trend rate of 4.00%.

Mortality: Mortality tables used for Regular and Special Risk Class members in the July 1, 2020 actuarial valuation of the Florida Retirement System. These rates were taken from the adjusted Pub-2010 mortality tables published by the Society of Actuaries with generational improvements using scale MP-2018. The adjustments to the reference tables are based on the results of a statewide experience study covering the period 2013 through 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.81% as of September 30, 2024 (measurement date), which is equal to the single rate of return developed pursuant to GASB 75. The discount rate used to determine the liabilities under GASB 75 depends on the City's funding policy. Since the City does not prefund benefits, the discount rate required to be used is based on the Fidelity 20-Year Municipal General Obligation AA Index. This index includes only federally tax-exempt municipal bonds and the yield curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities.

Annual OPEB Cost and Net OPEB Obligation

The City's total OPEB liability was measured as of September 30, 2024 and was determined by an actuarial valuation as of September 30, 2023. Changes in the Total OPEB liability were as follows:

	Total OPEB Liability
Reporting period ending September 30, 2024	$ 319,550
Changes for the year:	
Service cost	39,099
Interest	16,329
Changes of assumptions	30,328
Benefit payments	(11,926)
Net changes	73,830
Reporting period ending September 30, 2025	$ 393,380

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont…)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.
The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Rate Assumption	1% Increase
Total OPEB liability	$ 435,664	$ 393,380	$ 356,821

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates.
The following presents the total OPEB liability for the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability	$ 336,397	$ 393,380	$ 465,205

OPEB Expense and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2025, the City recognized OPEB expense of $7,627. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of assumptions or other inputs	$ 47,886	$ 101,655
Differences between expected and actual experience	-	122,118
City contributions subsequent to the measurement date	18,672	-
Total	$ 66,558	$ 223,773

Of the total amount reported as deferred outflows of resources related to OPEB, $18,672 resulting from estimated benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended September 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	**Amount**
2026	$ (45,143)
2027	(42,866)
2028	(30,625)
2029	(25,699)
2030	(19,930)
Thereafter	(11,624)
Total	$ (175,887)

NOTE 10 – INTERFUND ACCOUNTS

Individual fund inter-fund receivables and payables on September 30, 2025, consist of the following:

	Due from Other Funds	Due to Other Funds
General Fund	$ 3,387,714	$ -
Sanitation Fund	-	286,266
Local Option Gas Tax Fund		387,145
Debt Service Fund	-	19,848
Court cost training fund	-	28,548
General Employees' Retirement Fund	-	2,665,907
	$ 3,387,714	$ 3,387,714

Inter-fund receivable/payables are due to timing differences or due to deficit positions in the City's pooled cash and investments. The receivable/payables are expected to be received/paid within one year.

NOTE 11 – INTERFUND TRANSFERS

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds. Following is a summary of inter-fund transfers for the year ended September 30, 2025:

	Transfer In:						
	General Fund	Capital Projects Fund	Debt Service Fund	Community Development Block Grant Fund	Stormwater Fund	Building Code Enforcement Fund	Total
Transfers Out:							
Utility Fund	$ 833,916	$ -	$ -	$ -	$ -	$ -	$ 833,916
General Fund	-	263,868	-	607,002	579,528	229,056	1,679,454
Parking Fund	127,452	-	-	-	-	-	127,452
Local Option Gas Tax Fund	735,564	-	-	-	-	-	735,564
ARPA Fund	-	66,271	-	-	-	-	66,271
Convention Development Tax Fund	-	-	119,352	-	-	-	119,352
Half-cent Sales Tax Fund	-	1,066,536	-	199,956	-	-	1,266,492
Total	$ 1,696,932	$ 1,396,675	$ 119,352	$ 806,958	$ 579,528	$ 229,056	$ 4,828,501

Transfers are used to move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them.

NOTE 12 – COMMITMENTS

The City receives advanced life support and fire services from the City of Jacksonville, Florida, for residents and businesses located within the City. The City's previous long-term agreement for these services expired during the fiscal year ended September 30, 2024; however, the parties continued to honor its terms while negotiating a new agreement.

In June 2025, the City and the City of Jacksonville entered into an interim agreement reducing the annual fee for fire and rescue services to $750,000, payable in quarterly installments beginning June 1, 2025, and ending May 31, 2026. During the term of the interim agreement, the parties plan to develop a new long-term interlocal agreement, informed by a third-party evaluation of the service arrangement.

NOTE 12 – COMMITMENTS (concluded)

For the year ended September 30, 2025, the City incurred $1,183,363 for services under these agreements.

NOTE 13 - CONTINGENCIES

The City is a defendant in several lawsuits which arose in the ordinary course of the City's business. To the extent the outcome of such litigation has been determined to result in probable loss to the City, an estimated loss has been accrued in the accompanying financial statements. The outcome of the remaining claims cannot be determined at this time.

NOTE 14 – 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; and natural disasters for which the City carries commercial insurance. Insurance against losses is provided through the Public Risk Insurance Agency and LB Bryan and Company for the following types of risk:

- Workers' Compensation and Employer's Liability
- Automobile Liability
- Automobile Physical Damage
- Accidental Death and Dismemberment
- General Liability
- Public Officials' Liability
- Property Coverage

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

NOTE 15 – DEFICIT FUND BALANCE

On September 30, 2025 the following nonmajor governmental funds reported deficit fund balance amounts as follows:

- Local Option Gas Tax Special Revenue Fund – ($264,565)
- Court Cost Training Special Revenue Fund – ($27,648)
- Debt Service Fund – ($19,842)

These deficits were caused by expenditures paid for by the general fund to be reimbursed by these nonmajor governmental funds as revenue is generated in future years.

NOTE 16 – CORRECTION OF ERRORS

During fiscal year 2025, the City identified errors in previously issued financial statements related to revenue recognized in prior years in the General Fund and governmental activities. Certain revenues were recognized in prior years that did not meet the criteria for recognition. As a result, beginning fund balance of the General Fund and beginning net position of governmental activities have been restated as of October 1, 2024.

The effect of the correction was to decrease beginning fund balance of the general fund and beginning governmental activities net position by $126,178.

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REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	$ 8,001,838	$ 8,001,838	$ 8,021,538	$ 19,700
Non-property taxes	1,253,018	1,253,018	1,686,733	433,715
Licenses and permits	1,105,626	1,105,626	1,040,959	(64,667)
Intergovernmental revenue	3,934,941	4,154,941	3,452,888	(702,053)
Charges for services	702,171	702,171	1,058,350	356,179
Fines and forfeitures	151,200	151,200	138,638	(12,562)
Investment earnings (loss)	200,000	200,000	373,632	173,632
Miscellaneous revenues	19,050	19,050	119,604	100,554
Interfund charges	1,961,350	1,961,350	1,964,167	2,817
Total revenues	17,329,194	17,549,194	17,856,509	307,315
EXPENDITURES				
City Administration:				
City Commission	69,367	69,367	59,103	10,264
City Clerk	404,623	429,623	388,298	41,325
City Attorney	165,375	184,310	164,063	20,247
City Manager	629,416	629,411	615,783	13,628
Human resources	409,543	409,695	673,005	(263,310)
Information technology	1,000,508	1,031,646	904,502	127,144
Finance	1,469,386	1,473,083	1,475,815	(2,732)
Total City administration	4,148,218	4,227,135	4,280,569	(53,434)
Planning and zoning	476,170	583,382	599,044	(15,662)
General government	1,032,978	1,081,458	886,034	195,424
Public safety:				
Police	6,418,308	6,226,106	6,558,460	(332,354)
Animal control	142,969	170,476	152,235	18,241
Fire control	1,868,739	2,533,004	2,494,146	38,858
Code enforcement	143,877	145,677	135,325	10,352
Total public safety	8,573,893	9,075,263	9,340,166	(264,903)

Continued…

	Budgeted Amounts		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Administration and streets	2,214,972	2,227,418	1,706,262	521,156
Fleet maintenance	396,690	467,518	292,870	174,648
Total public works	2,611,662	2,694,936	1,999,132	695,804
Parks and recreation				
Recreation and special events	531,442	636,475	602,523	33,952
Parks maintenance	1,597,224	1,635,079	1,250,274	384,805
Total parks and recreation	2,128,666	2,271,554	1,852,797	418,757
Total expenditures	18,971,587	19,933,728	18,957,742	975,986
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,642,393)	(2,384,534)	(1,101,233)	1,283,301
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,072,453)	(1,679,453)	(1,679,454)	(1)
Transfers in	1,696,925	1,696,925	1,696,932	(7)
Sale of general capital assets	25,000	25,000	14,500	(10,500)
Total other financing sources (uses)	649,472	42,472	31,978	(10,508)
NET CHANGE IN FUND BALANCE	$ (992,921)	$ (2,342,062)	$ (1,069,255)	$ 1,272,807

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources		
Total revenue from the budgetary comparison schedule	$ 17,856,509	
Differences - budget to GAAP:		
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,964,167)	(*)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	$ 15,892,342	
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the Total expenditures from the budgetary comparison schedule	$ 18,957,742	
Differences - budget to GAAP:		
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,964,167)	(*)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	$ 16,993,575	
(*) - Interfund charges by Division		
City Manager	$ 393,504	
Finance	892,548	
Public Works Admin	183,192	
Fleet and Equipment Maintenance	82,795	
Human Resources	102,108	
Information Technology	244,968	
Facility Maintenance	65,052	
	$ 1,964,167	

Note A - Budgets and Budgetary Accounting

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. Encumbrances are recorded. Unexpended items which are unencumbered at year-end must be re-appropriated in the subsequent year.

Budgets are adopted for all governmental funds (general, special revenue, and capital projects funds). The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Commission. All necessary supplemental appropriations are adopted by the City Commission and are included in the reported budgetary data. The budget presented in the accompanying required supplemental information is prepared in conformity with accounting principles generally accepted in the United States of America.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - GENERAL EMPLOYEES' PENSION PLAN

City reporting period date	9/30/2026	9/30/2025	9/29/2024	9/30/2023	9/30/2022
Measurement date	9/30/2025	9/29/2024	9/30/2023	9/30/2022	9/30/2021
Total pension liability					
Service cost	$ 223,819	$ 202,244	$ 214,537	$ 241,673	$ 244,995
Interest	1,650,230	1,676,388	1,670,865	1,646,364	1,633,199
Change in assumptions	-	1,212,294	-	-	(420,148)
Change in benefit terms	773,196	-	-	-	-
Difference between expected and actual experience	(184,268)	456,791	156,347	255,984	207,558
Benefit payments, including refunds of of employee contributions	(2,109,955)	(1,892,016)	(1,967,963)	(1,504,566)	(1,429,935)
Employee buy-back	-	-	(35,286)	-	-
Net change in total pension liability	353,022	1,655,701	38,500	639,455	235,669
Total pension liability, beginning	27,234,843	25,579,142	25,540,642	24,901,187	24,665,518
Total pension liability, ending (a)	$ 27,587,865	$ 27,234,843	$ 25,579,142	$ 25,540,642	$ 24,901,187
Plan fiduciary net position					
Contributions - City	$ 557,556	$ 689,268	$ 850,266	$ 1,099,884	$ 1,248,604
Contributions - Employee	71,537	72,724	75,784	81,830	87,209
Net investment income (loss)	2,459,478	5,169,751	2,937,968	(4,081,483)	4,891,453
Benefit payments, including refunds of employee contributions	(2,109,955)	(1,892,016)	(2,003,249)	(1,504,566)	(1,429,935)
Administrative expenses	(133,183)	(71,861)	(36,135)	(45,210)	(19,631)
Net change in plan fiduciary net position	845,433	3,967,866	1,824,634	(4,449,545)	4,777,700
Plan fiduciary net position, beginning	27,839,791	23,871,925	22,047,291	26,496,836	21,719,136
Plan fiduciary net position, ending (b)	$ 28,685,224	$ 27,839,791	$ 23,871,925	$ 22,047,291	$ 26,496,836
Net pension liability (asset) (a)-(b)	$ (1,097,359)	$ (604,948)	$ 1,707,217	$ 3,493,351	$ (1,595,649)
Plan fiduciary net position as a percentage of total pension liability	103.98%	102.22%	93.33%	86.32%	106.41%
Covered payroll	$ 1,192,283	$ 1,212,067	$ 1,263,067	$ 1,363,833	$ 1,453,483
Net pension liability as a percentage of covered payroll	-92.04%	-49.91%	135.16%	256.14%	-109.78%

Continued…

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - GENERAL EMPLOYEES' PENSION PLAN

City reporting period date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Measurement date	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Total pension liability					
Service cost	$ 288,450	$ 332,673	$ 345,019	$ 346,460	$ 348,604
Interest	1,604,466	1,566,226	1,574,193	1,485,239	1,437,296
Change in assumptions	-	-	695,507	559,117	-
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(44,031)	40,197	(473,189)	291,669	164,601
Benefit payments, including refunds of of employee contributions	(1,329,553)	(1,327,161)	(1,501,456)	(1,319,107)	(1,207,804)
Employee buy-back	-	-	-	-	-
Net change in total pension liability	519,332	611,935	640,074	1,363,378	742,697
Total pension liability, beginning	24,146,186	23,534,251	22,894,177	21,530,799	20,788,102
Total pension liability, ending (a)	$ 24,665,518	$ 24,146,186	$ 23,534,251	$ 22,894,177	$ 21,530,799
Plan fiduciary net position					
Contributions - City	$ 1,362,952	$ 1,424,479	$ 1,332,119	1,175,572	$ 1,112,344
Contributions - Employee	96,921	107,745	117,536	124,024	128,204
Net investment income (loss)	1,138,973	619,176	1,554,225	1,792,192	1,515,746
Benefit payments, including refunds Of employee contributions	(1,329,553)	(1,327,161)	(1,501,456)	(1,319,107)	(1,207,804)
Administrative expenses	(48,109)	(40,584)	(31,261)	(53,880)	(32,495)
Net change in plan fiduciary net position	1,221,184	783,655	1,471,163	1,718,801	1,515,995
Plan fiduciary net position, beginning	20,497,952	19,714,297	18,243,134	16,524,333	15,008,338
Plan fiduciary net position, ending (b)	$ 21,719,136	$ 20,497,952	$ 19,714,297	$ 18,243,134	$ 16,524,333
Net pension liability (asset) (a)-(b)	$ 2,946,382	$ 3,648,234	$ 3,819,954	$ 4,651,043	$ 5,006,466
Plan fiduciary net position as a percentage of total pension liability	88.05%	84.89%	83.77%	79.68%	76.75%
Covered payroll	$ 1,615,350	$ 1,795,750	$ 1,958,933	$ 2,067,067	$ 2,136,733
Net pension liability as a percentage of covered payroll	182.40%	203.16%	195.00%	225.01%	234.30%

Change of Assumptions:

For measurement date September 30, 2024:

- The assumed investment return assumption was reduced from 6.75% to 6.25%.

For measurement date September 30, 2021:

- Reflects updated mortality tables to those used by Florida Retirement System (FRS) as mandated by Section 112.63(1)(f), Florida Statutes.

For measurement date September 30, 2018:

- The assumed investment return assumption was reduced from 7.00% to 6.75%.
- The assumed rates of salary increase, retirement and withdrawal were revised based on a 7-year experience study performed for the Plan.

Change in Benefit Terms:

For measurement date September 30, 2025:

- Ordinance No. 58-24-47 was adopted on January 13, 2025. This ordinance provided a one-time Cost of Living Adjustment effective as of October 1, 2024 to certain retirees and beneficiaries.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE OFFICERS' PENSION PLAN

City reporting period date	9/30/2026	9/30/2025	9/29/2024	9/30/2023	9/30/2022
Measurement date	9/30/2025	9/29/2024	9/30/2023	9/30/2022	9/30/2021
Total pension liability					
Service cost	$ 551,695	$ 453,970	$ 426,687	$ 414,067	$ 396,817
Interest	1,296,276	1,215,576	1,164,223	1,099,655	1,090,158
Change in excess State money	-	-	-	-	-
Change in benefit terms	1,097,215	-	-	-	-
Difference between expected and actual experience	445,892	705,395	(137,974)	195,967	(130,811)
Change of assumptions	-	1,042,161	-	-	(478,322)
Other	-	-	19,500	-	-
Benefit payments, including refunds of of employee contributions	(842,947)	(722,934)	(735,428)	(815,563)	(693,227)
Net change in total pension liability	2,548,131	2,694,168	737,008	894,126	184,615
Total pension liability, beginning	20,610,200	17,916,032	17,179,024	16,284,898	16,100,283
Total pension liability, ending (a)	$ 23,158,331	$ 20,610,200	$ 17,916,032	$ 17,179,024	$ 16,284,898
Plan fiduciary net position					
Contributions - City	$ 430,980	$ 451,228	$ 558,351	$ 779,224	$ 870,477
Contributions - State of Florida	416,020	-	165,133	144,821	274,267
Contributions - Employee	263,119	215,508	215,375	177,828	168,456
Net investment income (loss)	1,642,959	3,384,767	1,742,688	(2,535,548)	2,896,388
Benefit payments, including refunds of employee contributions	(842,947)	(743,052)	(735,428)	(815,563)	(693,227)
Administrative expenses	(90,446)	(61,096)	(26,723)	(41,743)	(34,284)
Other	-	-	-	-	-
Net change in plan fiduciary net position	1,819,685	3,247,355	1,919,396	(2,290,981)	3,482,077
Plan fiduciary net position, beginning	19,511,033	16,263,678	14,344,282	16,635,263	13,153,186
Plan fiduciary net position, ending (b)	$ 21,330,718	$ 19,511,033	$ 16,263,678	$ 14,344,282	$ 16,635,263
Net pension liability (asset) (a)-(b)	$ 1,827,613	$ 1,099,167	$ 1,652,354	$ 2,834,742	$ (350,365)
Plan fiduciary net position as a percentage of total pension liability	92.11%	94.67%	90.78%	83.50%	102.15%
Covered payroll	$ 3,201,300	$ 2,660,125	$ 2,448,438	$ 2,222,850	$ 2,105,700
Net pension liability as a percentage of covered payroll	57.09%	41.32%	67.49%	127.53%	-16.64%

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE OFFICERS' PENSION PLAN

City reporting period date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Measurement date	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Total pension liability					
Service cost	$ 369,089	$ 332,419	$ 329,254	$ 335,185	$ 279,863
Interest	1,034,146	1,026,422	1,016,983	970,877	931,370
Change in excess State money	-	-	(120,454)	-	-
Difference between expected and actual experience	103,400	(351,261)	(209,232)	187,216	(2,998)
Change of assumptions	-	-	454,983	(40,955)	-
Benefit payments, including refunds of of employee contributions	(715,876)	(1,143,778)	(690,688)	(643,872)	(754,465)
Net change in total pension liability	790,759	(136,198)	780,846	808,451	453,770
Total pension liability, beginning	15,309,524	15,445,722	14,664,876	13,856,425	13,402,655
Total pension liability, ending (a)	$ 16,100,283	$ 15,309,524	$ 15,445,722	$ 14,664,876	$ 13,856,425
Plan fiduciary net position					
Contributions - City	$ 745,022	$ 826,705	$ 854,780	$ 945,540	$ 729,483
Contributions - State of Florida	132,844	-	236,772	-	112,972
Contributions - Employee	161,166	142,024	131,498	129,552	117,274
Net investment income (loss)	607,277	307,543	853,894	950,447	804,901
Benefit payments, including refunds of employee contributions	(715,876)	(1,143,777)	(690,688)	(643,872)	(754,465)
Administrative expenses	(35,623)	(38,763)	(25,152)	(51,481)	(29,933)
Net change in plan fiduciary net position	894,810	93,732	1,361,104	1,330,186	980,232
Plan fiduciary net position, beginning	12,258,376	12,164,644	10,803,540	9,473,354	8,493,122
Plan fiduciary net position, ending (b)	$ 13,153,186	$ 12,258,376	$ 12,164,644	$ 10,803,540	$ 9,473,354
Net pension liability (asset) (a)-(b)	$ 2,947,097	$ 3,051,148	$ 3,281,078	$ 3,861,336	$ 4,383,071
Plan fiduciary net position as a percentage of total pension liability	81.70%	80.07%	78.76%	73.67%	68.37%
Covered payroll	$ 2,014,575	$ 1,775,300	$ 1,643,725	$ 1,619,400	$ 1,465,925
Net pension liability as a percentage of covered payroll	146.29%	171.87%	199.61%	238.44%	299.00%

Change of Assumptions:

For measurement date September 30, 2024:

- The assumed investment return assumption was reduced from 6.75% to 6.25%.

For measurement date September 30, 2021:

- Reflects updated mortality tables to those used by Florida Retirement System (FRS) as mandated by Section 112.63(1)(f), Florida Statutes.

For measurement date September 30, 2018:

- The assumed investment return assumption was reduced from 7.00% to 6.75%.
- The assumed rates of salary increase, retirement and withdrawal were revised based on a 7-year experience study performed for the Plan.

Change in Benefit Terms:

For measurement date September 30, 2025:

- Ordinance No. 58-24-48 was adopted on January 13, 2025. This ordinance provided a one-time Cost of Living Adjustment effective as of October 1, 2024 to certain retirees and beneficiaries.

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS – ALL PENSION PLANS

Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
General Employees' Plan					
2025	$ 557,528	$ 557,556	$ 28	$ 1,192,283	46.76%
2024	$ 352,301	$ 689,268	$ 336,967	$ 1,212,067	56.87%
2023	$ 850,265	$ 850,266	$ 1	$ 1,263,067	67.32%
2022	$ 1,099,876	$ 1,099,884	$ 8	$ 1,363,833	80.65%
2021	$ 1,248,604	$ 1,248,604	$ -	$ 1,453,483	85.90%
2020	$ 1,355,973	$ 1,362,952	$ 6,979	$ 1,615,350	84.38%
2019	$ 1,424,479	$ 1,424,479	$ -	$ 1,795,750	79.33%
2018	$ 1,332,118	$ 1,332,119	$ 1	$ 1,958,933	68.00%
2017	$ 1,175,572	$ 1,175,572	$ -	$ 2,067,067	56.87%
2016	$ 1,112,344	$ 1,112,344	$ -	$ 2,136,733	52.06%
Police Officers' Plan					
2025	$ 596,113	$ 847,000	$ 250,887	$ 3,201,300	26.46%
2024	$ 449,957	$ 451,228	$ 1,271	$ 2,660,125	16.96%
2023	$ 483,076	$ 723,484	$ 240,408	$ 2,448,438	29.55%
2022	$ 579,249	$ 924,045	$ 344,796	$ 2,222,850	41.57%
2021	$ 668,499	$ 1,144,744	$ 476,245	$ 2,105,700	54.36%
2020	$ 668,090	$ 877,866	$ 209,776	$ 2,014,575	43.58%
2019	$ 826,705	$ 826,705	$ -	$ 1,775,300	46.57%
2018	$ 841,726	$ 1,091,552	$ 249,826	$ 1,643,725	66.41%
2017	$ 849,061	$ 945,540	$ 96,479	$ 1,619,400	58.39%
2016	$ 825,700	$ 842,455	$ 16,755	$ 1,465,925	57.47%

Significant methods and assumptions used in calculating the actuarially determined contributions:

The following pertain to both City's defined benefit pension plans unless separately stated.

- **Valuation Date:** October 1, 2022. Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are required.
- **Actuarial Cost Method:** Entry Age Actuarial Cost Method
- **Amortization Method:**
  - *General Employees' Plan* – Closed, Level Dollar Method
  - *Police Officers' Plan* - Closed, Level % of Pay Method
- **Remaining Amortization Period:**
  - *General Employees' Plan* – 10 Years.
  - *Police Officers' Plan* - 28 years.
- **Asset Valuation Method:** 4-year smoothed market value where the difference between the expected and actual return on market value of assets is phased in over a period of four years at a rate of 25% per year.
- **Inflation**:2.50%
- **Salary Increases:**
  - *General Employees Plan* – Age Based ranging from 9.5% at age 20 to 4.8% at age 60+ (including 2.5% price inflation).
  - *Police Officers' Plan* – Age Based ranging from 18.5% at age 20 to 4.5% at age 60+ (including 2.5% price inflation).
- **Payroll Growth:**
  - *General Employees Plan* – None
  - *Police Officers' Plan* – 3.50%
- **Investment Rate of Return:** 6.75% per year compounded annually, net of investment expenses, including inflation.
- **Retirement Age:** Experience-based table of rates (from Experience Study dated August 9, 2017 for the period October 1, 2009 to September 30, 2016) that vary by age.
- **Mortality:**
  - *General Employees' Plan* – Pub-2010 Headcount-Weighted Mortality Tables used by the Florida Retirement System for Regular Class members in their July 1, 2020 actuarial valuations with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.
  - *Police Officers' Plan* - Pub-2010 Headcount-Weighted Mortality Tables used by the Florida Retirement System for Special Risk Class members in their July 1, 2020 actuarial valuations with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.
  - *Previous Mortality Tables Used*: RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.

	Year Ended September 30,									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
General Employees' Plan										
Annual money-weighted rate of return net of investment expenses	8.53%	22.38%	14.05%	-16.01%	23.65%	6.41%	4.04%	8.67%	10.92%	10.18%
Police Officers' Plan										
Annual money-weighted rate of return net of investment expenses	8.41%	22.47%	6.13%	-14.98%	23.67%	6.15%	4.38%	8.26%	10.80%	9.93%

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Reporting date	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Measurement date	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Total OPEB Liability				
Service cost	$ 39,099	$ 36,840	$ 55,813	$ 56,159
Interest	16,329	17,072	9,684	11,124
Difference between expected and actual experience	-	(73,297)	-	(20,135)
Changes in assumptions	30,328	(3,620)	(86,543)	(56,642)
Benefit payments	(11,926)	(17,200)	(11,158)	(7,902)
Net change in total OPEB Liability	73,830	(40,205)	(32,204)	(17,396)
Total OPEB Liability - beginning	319,550	359,755	391,959	409,355
Total OPEB Liability - ending	$ 393,380	$ 319,550	$ 359,755	$ 391,959
Covered-employee payroll	$ 8,911,157	$ 7,144,276	$ 8,066,712	$ 5,961,844
Total OPEB liability as a percentage of covered-employee payroll	4.41%	4.47%	4.46%	6.57%

Reporting date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement date	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Total OPEB Liability				
Service cost	$ 55,135	$ 38,095	$ 39,404	$ 41,222
Interest	11,812	19,049	16,906	14,667
Difference between expected and actual experience	-	(203,632)	-	-
Changes in assumptions	(26,153)	78,146	(18,238)	(21,261)
Benefit payments	(11,666)	(21,386)	(23,456)	(22,404)
Net change in total OPEB Liability	29,128	(89,728)	14,616	12,224
Total OPEB Liability - beginning	380,227	469,955	455,339	443,115
Total OPEB Liability - ending	$ 409,355	$ 380,227	$ 469,955	$ 455,339
Covered-employee payroll	$ 7,602,334	$ 5,196,501	$ 6,647,363	$ 6,272,956
Total OPEB liability as a percentage of covered-employee payroll	5.38%	7.32%	7.07%	7.26%

Continued…

No assets are being accumulated in a trust to pay for plan benefits.

Changes in Assumptions:

Changes in assumptions reflect the effects of changes in the discount rate of each period. The following are the discount rates used for each measurement date.

Measurement Date	Discount Rate
September 30, 2025	3.81%
September 30, 2024	4.63%
September 30, 2022	4.40%
September 30, 2021	2.19%
September 30, 2020	2.41%
September 30, 2019	2.75%
September 30, 2018	3.83%
September 30, 2017	3.50%
September 30, 2016	3.10%

Additional changes in assumptions for the following measurement dates:

- September 30, 2021
  - Per capita costs and premiums were updated based on information provided.
  - Long-term trend rates of healthcare increases were lowered from 3.99% to 3.75%.
- September 30, 2019
  - Per capita costs and premiums were updated based on information provided.
  - Assumed ultimate rate of inflation was revised from 2.5% to 2.25% and the healthcare cost trend assumption was revised to reflect this change.

Additional years will be added to this schedule annually until 10 years; data is presented.

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SUPPLEMENTARY INFORMATION

	2025						
	Special Revenue Funds						
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Parking Facilities	Radio Communication
ASSETS							
Equity in pooled cash and investments	$ 598,487	$ -	$ 186,822	$ 264,793	$ -	$ 216,146	$ 255,892
Receivables, net							
Intergovernmental and other	-	122,580	34,350	224,413	900	5,643	4,720
TOTAL ASSETS	$ 598,487	$ 122,580	$ 221,172	$ 489,206	$ 900	$ 221,789	$ 260,612
LIABILITIES							
Accounts payable and accrued liabilities	3,451	-	-	-	-	-	-
Construction costs payable	-	-	-	4,212	-	-	-
Due to other funds	-	387,145	-	-	28,548	-	-
Deposits	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
TOTAL LIABILITIES	3,451	387,145	-	4,212	28,548	-	-
FUND BALANCE							
Restricted for:							
Public safety	-	-	-	-	-	-	260,612
Road maintenance and construction	-	-	-	484,994	-	-	-
Other capital projects	-	-	-	-	-	-	-
Other purposes	-	-	221,172	-	-	221,789	-
Committed to:							
Conservation and resource management	595,036	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	(264,565)	-	-	(27,648)	-	-
TOTAL FUND BALANCES	595,036	(264,565)	221,172	484,994	(27,648)	221,789	260,612
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 598,487	$ 122,580	$ 221,172	$ 489,206	$ 900	$ 221,789	$ 260,612

Continued…

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025								
	Special Revenue Funds								
	Contraband Revenue	Community Development Block Grants	Police Grants	American Rescue Plan Act Special Revenue Fund	Total Special Revenue Funds	Debt Service	Capital Projects	Totals Non-Major Governmental Funds	2024 Totals
ASSETS									
Equity in pooled cash and investments	$ 10,422	$ 490,788	$ 2,130	$ 203,339	$ 2,228,819	$ 6	$ 3,333,834	$ 5,562,659	$ 1,309,168
Receivables, net									
Intergovernmental and other	-	100	-	-	392,706	-	-	392,706	393,365
TOTAL ASSETS	$ 10,422	$ 490,888	$ 2,130	$ 203,339	$ 2,621,525	$ 6	$ 3,333,834	$ 5,955,365	$ 1,702,533
LIABILITIES									
Accounts payable and accrued liabilities	-	42,005	-	-	45,456	-	27,323	72,779	6,995
Construction costs payable	-	27,726	-	-	31,938	-	8,543	40,481	7,345
Due to other funds	-	-	-	-	415,693	19,848	-	435,541	420,061
Deposits	2,999	-	-	-	2,999	-	-	2,999	2,998
Unearned revenue	-	-	-	203,339	203,339	-	-	203,339	-
TOTAL LIABILITIES	2,999	69,731	-	203,339	699,425	19,848	35,866	755,139	437,399
FUND BALANCE									
Restricted for:									
Public safety	7,423	-	2,130	-	270,165	-	-	270,165	215,181
Road maintenance and construction	-	-	-	-	484,994	-	-	484,994	454,111
Other capital projects	-	421,157	-	-	421,157	-	-	421,157	106,060
Other purposes	-	-	-	-	442,961	-	-	442,961	460,720
Committed to:									
Conservation and resource management	-	-	-	-	595,036	-	-	595,036	325,755
Assigned to:									
Capital projects	-	-	-	-	-	-	3,297,968	3,297,968	-
Unassigned	-	-	-	-	(292,213)	(19,842)	-	(312,055)	(296,693)
TOTAL FUND BALANCES	7,423	421,157	2,130	-	1,922,100	(19,842)	3,297,968	5,200,226	1,265,134
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 10,422	$ 490,888	$ 2,130	$ 203,339	$ 2,621,525	$ 6	$ 3,333,834	$ 5,955,365	$ 1,702,533

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025						
	Special Revenue Funds						
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Parking Facilities	Radio Communication
REVENUES:							
Non-property taxes	$ -	$ 711,356	$ 142,829	$ 1,300,188	$ -	$ -	$ -
Intergovernmental revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	80,679	-
Fines and forfeitures	312,932	-	-	-	9,786	-	47,198
Investment earnings (loss)	-	-	5,537	5,366	-	-	7,452
Miscellaneous revenues	-	-	-	-	-	-	-
Total revenues	312,932	711,356	148,366	1,305,554	9,786	80,679	54,650
EXPENDITURES:							
General government	43,651	-	-	-	-	-	-
Public safety	-	-	-	-	946	-	-
Capital outlay	-	-	-	8,179	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	43,651	-	-	8,179	946	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	269,281	711,356	148,366	1,297,375	8,840	80,679	54,650
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	(735,564)	(119,352)	(1,266,492)	-	(127,452)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(735,564)	(119,352)	(1,266,492)	-	(127,452)	-
NET CHANGE IN FUND BALANCE	269,281	(24,208)	29,014	30,883	8,840	(46,773)	54,650
FUND BALANCE, beginning of year, as previously reported	325,755	(240,357)	192,158	454,111	(36,488)	268,562	205,962
Change within financial reporting entity (major to nonmajor)	-	-	-	-	-	-	-
FUND BALANCE, beginning of year, as restated	325,755	(240,357)	192,158	454,111	(36,488)	268,562	205,962
FUND BALANCE, end of year	$ 595,036	$ (264,565)	$ 221,172	$ 484,994	$ (27,648)	$ 221,789	$ 260,612

Continued…

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2025								
	Special Revenue Funds								
	Contraband Revenue	Community Development Block Grants	Police Grants	American Rescue Plan Act Special Revenue Fund	Total Special Revenue Funds	Debt Service	Capital Projects	Totals Non-Major Governmental Funds	2024 Totals
REVENUES:									
Non-property taxes	$ -	$ -	$ -	$ -	$ 2,154,373	$ -	$ -	$ 2,154,373	$ 2,158,090
Intergovernmental revenue	-	-	117,557	66,271	183,828	-	-	183,828	328,047
Charges for services	-	-	-	-	80,679	-	-	80,679	94,491
Fines and forfeitures	-	-	-	-	369,916	-	-	369,916	146,694
Investment earnings (loss)	334	-	-	-	18,689	-	91,588	110,277	10,506
Miscellaneous revenues	-	-	-	-	-	-	-	-	375
Total revenues	334	-	117,557	66,271	2,807,485	-	91,588	2,899,073	2,738,203
EXPENDITURES:									
General government	-	-	-	-	43,651	-	-	43,651	41,297
Public safety	-	-	56,347	-	57,293	-	66,271	123,564	31,318
Capital outlay	-	491,861	61,210	-	561,250	-	317,641	878,891	386,873
Debt service	-	-	-	-	-	119,346	-	119,346	122,364
Total expenditures	-	491,861	117,557	-	662,194	119,346	383,912	1,165,452	581,852
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	334	(491,861)	-	66,271	2,145,291	(119,346)	(292,324)	1,733,621	2,156,351
OTHER FINANCING SOURCES (USES)									
Transfers in	-	806,958	-	-	806,958	119,352	1,396,675	2,322,985	275,064
Transfers (out)	-	-	-	(66,271)	(2,315,131)	-	-	(2,315,131)	(1,965,660)
TOTAL OTHER FINANCING SOURCES (USES)	-	806,958	-	(66,271)	(1,508,173)	119,352	1,396,675	7,854	(1,690,596)
NET CHANGE IN FUND BALANCE	334	315,097	-	-	637,118	6	1,104,351	1,741,475	465,755
FUND BALANCE, beginning of year, as previously reported	7,089	106,060	2,130	-	1,284,982	(19,848)	-	1,265,134	799,379
Change within financial reporting entity (major to nonmajor)	-	-	-	-	-	-	2,193,617	2,193,617	-
FUND BALANCE, beginning of year, as restated	7,089	106,060	2,130	-	1,284,982	(19,848)	2,193,617	3,458,751	799,379
FUND BALANCE, end of year	$ 7,423	$ 421,157	$ 2,130	$ -	$ 1,922,100	$ (19,842)	$ 3,297,968	$ 5,200,226	$ 1,265,134

CITY OF ATLANTIC BEACH, FLORIDA
HISTORICAL REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2021, THROUGH SEPTEMBER 30, 2025

	2025	2024	2023	2022	2021
Revenues					
Operating Revenues:					
Water:					
Customer charges	$ 3,908,209	$ 3,854,691	$ 3,978,479	$ 3,677,424	$ 3,550,004
Miscellaneous charges	155,032	42,005	75,304	68,937	43,252
Total water	4,063,241	3,896,696	4,053,783	3,746,361	3,593,256
Sewer:					
Customer charges	6,473,749	6,512,565	6,444,184	6,096,086	5,750,479
Miscellaneous charges	-	-	-	8	-
Total sewer	6,473,749	6,512,565	6,444,184	6,096,094	5,750,479
Total operating revenues	10,536,990	10,409,261	10,497,967	9,842,455	9,343,735
Non-operating revenues					
Investment income (loss):					
Water	350,620	546,803	232,689	(27,591)	143,198
Sewer	199,822	367,542	119,772	(22,584)	158,264
Total non-operating revenues	550,442	914,345	352,461	(50,175)	301,462
Total revenues	11,087,432	11,323,606	10,850,428	9,792,280	9,645,197
Expenses					
Operating expenses:					
Water	2,143,170	1,821,131	1,828,346	1,321,892	1,044,002
Sewer	3,575,214	3,258,657	3,120,083	3,100,956	2,222,833
Total operating expenses	5,718,384	5,079,788	4,948,429	4,422,848	3,266,835
Administrative, non divisional and other					
Water	530,760	453,420	453,424	584,856	642,424
Sewer	612,624	659,376	659,352	698,988	678,890
Total administrative non-divisional and other	1,143,384	1,112,796	1,112,776	1,283,844	1,321,314
Total expenses	6,861,768	6,192,584	6,061,205	5,706,692	4,588,149
Net revenues available for debt service	4,225,664	5,131,022	4,789,223	4,085,588	5,057,048
Non-operating income(expense)					
Interest expense	(89,586)	(125,603)	(160,740)	(320,482)	(344,186)
Loan amortization	(93,911)	(93,911)	(93,911)	(93,910)	(93,910)
Total non-operating income (expense)	(183,497)	(219,514)	(254,651)	(414,392)	(438,096)
Change in net position before depreciation expense and interfund transfers	$ 4,042,167	$ 4,911,508	$ 4,534,572	$ 3,671,196	$ 4,618,952

	2025	2024
Gross revenues:		
Utility	$ 10,536,990	$ 10,409,261
Connection charges	48,270	12,595
Investment income (loss)	628,645	1,030,312
Total Gross Revenues	11,213,905	11,452,168
Operating Expenses		
Personnel services	2,582,605	2,295,544
Contractual services	919,935	1,131,021
Supplies	532,596	529,113
Repairs and maintenance	751,094	270,623
Utilities	391,470	383,890
Intergovernmental charges	1,143,384	1,112,796
Other expenses	540,684	469,597
Total operating expenses	6,861,768	6,192,584
Total net revenues in accordance with Bond resolutions	$ 4,352,137	$ 5,259,584
Total debt service	$ 1,776,576	$ 1,780,156
Debt service coverage ratio	244.97%	295.46%
Required debt service coverage ratio	110.00%	110.00%

Utility Service Tax Collections
(last five years)

Year	Electricity	Communications	Gas	Total
2025	$ 566,404	$ 609,846	$ 14,170	$ 1,190,420
2024	520,037	572,639	16,079	1,108,755
2023	501,495	549,318	12,926	1,063,739
2022	515,491	525,166	12,966	1,053,623
2021	441,950	471,029	13,068	926,047

Ad Valorem Tax Collections
(last five years)

Year	Total
2025	$ 8,021,538
2024	7,241,664
2023	7,224,605
2022	6,708,984
2021	6,341,798

OTHER STATISTICAL INFORMATION

	Annual Billings
Fleet Landing (retirement community)	$ 647,319
Navy (Federal Government)	261,600
Ocean Reef	225,892
Yes Companies	203,837
Puckett Partners	141,493
John's Creek Estates (mobile home park)	149,817
City of Atlantic Beach, Florida	161,590
Hanna Park (regional park)	151,845
One Ocean	150,858
BW MAYPORT LLC	123,840
	$ 2,218,091

ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS,* ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES; THE *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA; AND OTHER CONTRACT REQUIREMENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Atlantic Beach, Florida, (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2026.

Report on 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis Gray

June 26, 2026
Gainesville, Florida

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH FLORIDA STATUTES SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

We have examined the City of Atlantic Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes during the period ended September 30, 2025, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, 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. Our examination does not provide a legal determination of the City's compliance with specified requirements.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies and pass-through entities, the City, and its management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis Gray

June 26, 2026
Gainesville, Florida

MANAGEMENT LETTER

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

Report on the Financial Statements
We have audited the financial statements of the City of Atlantic Beach, Florida (the City) as of and for the year ended September 30, 2025, and have issued our report thereon dated June 26, 2026.

Auditor's Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements
We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant's Report on an examination conducted in accordance with American Institute of Certified Public Accountants *Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 26, 2026, 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 report. The prior year finding 2024-001 has been corrected. Prior year findings 2024-002 (now 2025-001) and 2024-003 (now 2025-002) have not been corrected.

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Auditor General,* requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is included in Note 1 to the financial statements.

Financial Condition and Management
Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

MANAGEMENT LETTER

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General,* we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have the following recommendations:

2025-001 (Previously 2024-002) – General Pension Plan Pooled Cash

Condition – During the audit we noted that the general employee's pension plan had a negative pooled cash balance of approximately $1M. This was due to the plan using the City's pooled cash to make benefit payments and resulted in the Plan owing $1M to the City's General Fund.

Recommendation – The City should monitor the cashflow needs of the General Employee's pension plan and liquidate investments as needed so that sufficient funds are available to pay benefits or other costs of the pension plan.

FY 2025 Update: The City's General Employee's pension plan owed the City's pooled cash 2.6 million for FY25. Management believes this will be fixed in FY26.

2025-002 (Previously 2024-003) – Sanitation Fund Negative Net Position

Condition – The City increased sanitation rates by 16% which resulted in a positive change in income before transfers. However, the City transferred $359,000 from the fund up from $179,000 from the prior year, resulting in an increase of the deficit net position to $488,000.

Recommendation – We recommend that the City review the amount of monies that are being transferred from the fund or consider arranging a temporary interfund loan.

FY2025 Update: The City increased solid waste rates and had a positive $210k increase to net position. This decreased the negative net position from $488k to $278k in the current year. The City appears to be on the right path to correct this in future years.

Property Assessed Clean Energy (PACE) Programs
As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the City is required to include a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the City's geographical boundaries during the fiscal year under audit. The City has not authorized the operation of a PACE program, and management is not aware of the operation of any such program, within its geographical boundaries.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

MANAGEMENT LETTER

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that there were no special district component units that were required to be reported in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General,* requires that we address non-compliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material, but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, Mayor and City Commissioners and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis Gray

June 26, 2026
Gainesville, Florida

June 25, 2026

Purvis, Gray and Company, LLP
PO Box 141270
Gainesville, FL 32614

RE: Management's Response Letter

2025-001 (Previously 2024-002) – General Pension Plan Pooled Cash

Condition – During the audit we noted that the general employee's pension plan had a negative pooled cash balance of approximately $1M. This was due to the plan using the City's pooled cash to make benefit payments and resulted in the Plan owing $1M to the City's General Fund.

Recommendation – The City should monitor the cashflow needs of the General Employee's pension plan and liquidate investments as needed so that sufficient funds are available to pay benefits or other costs of the pension plan.

FY 2025 Update: The City's General Employee's pension plan owed the City's pooled cash 2.6 million for FY25. Management believes this will be fixed in FY26.

Management Response to Comment 2025-001 (Previously 2024-002) – General Pension Plan Pooled Cash

The Finance Department has already begun working with the Plan's investment custodians to liquidate investments on a quarterly basis to ensure sufficient cash is available for benefit payments. This process is expected to resolve the negative pooled cash balance during FY2026, and the Finance Department will continue to monitor the Plan's cash flow needs.

2025-002 (Previously 2024-003) – Sanitation Fund Negative Net Position

Condition – The City increased sanitation rates by 16% which resulted in a positive change in income before transfers. However, the City transferred $359,000 from the fund up from $179,000 from the prior year, resulting in an increase of the deficit net position to $488,000.

Recommendation – We recommend that the City review the amount of monies that are being transferred from the fund or consider arranging a temporary interfund loan.

FY2025 Update: The City increased solid waste rates and had a positive 210k increase to net position. This decreased the negative net position from 488k to 278k in the current year. The City appears to be on the right path to correct this in future years.

Management Response to Comment 2024-003- Sanitation Fund Negative Net Position

The City will continue to monitor the fund's financial condition and review future transfers to ensure they remain appropriate as the fund progresses toward restoring a positive net position.