



CITY OF FROSTPROOF, FLORIDA

FINANCIAL STATEMENTS

September 30, 2020

TABLE OF CONTENTS

INTRODUCTORY SECTION

Principal City Officials

FINANCIAL SECTION

Independent Auditors' Report 1

Management's Discussion and Analysis (required supplementary information)..... 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 15

Statement of Activities 16

Fund Financial Statements:

Balance Sheet – Governmental Funds..... 17

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position 18

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 19

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds to the Statement of Activities..... 20

Statement of Net Position – Proprietary Fund 21

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund 22

Statement of Cash Flows – Proprietary Fund 23

Statement of Fiduciary Net Position – Fiduciary Funds..... 25

Statement of Changes in Fiduciary Net Position – Fiduciary Funds 26

Notes to Financial Statements..... 27

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund 64

General Employees' Pension Trust Fund - Schedule of Changes in Net Pension Liability and
Related Ratios..... 65

General Employees' Pension Trust Fund - Notes to the Schedule of Changes in Net Pension
Liability and Related Ratios 67

Police Officers' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related
Ratios 68

Police Officers' Pension Trust Fund - Notes to the Schedule of Changes in Net Pension Liability
and Related Ratios..... 70

General Employees' Pension Trust Fund - Schedule of Contributions 71

General Employees' Pension Trust Fund - Notes to Schedule of Contributions 72

Police Officers' Pension Trust Fund - Schedule of Contributions 73

Police Officers' Pension Trust Fund - Notes to Schedule of Contributions 74

General Employees' Pension Trust Fund and Police Officers' Pension Trust Fund Schedule of
Investment Returns 75

OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76
Independent Accountant's Report on Compliance with Florida Statutes Section 218.415 – Investment of Public Funds	78
Management Letter	79

OTHER INFORMATION

Management's Affidavit of Compliance with Section 163.31801, Florida Statutes	81
City of Frostproof's Explanation to Management Letter	82



City of Frostproof
The Friendly City

INTRODUCTORY SECTION

City of Frostproof, Florida

LIST OF PRINCIPAL OFFICIALS

September 30, 2020

City Council

Mayor

Jonathan Albert

Council Members

Austin Gravely

Leslie Brewer

Mike Hutto

Tashana True

City Manager

Nicole McDowell

City Attorney

Chuck Galloway

City Clerk

Nicole McDowell

City Planner

Jennifer Codo-Salisbury

Finance Director

Melody Sauerhafer

Library Director

Melissa D. Hadden

Fire Chief

Jerry Riner

Building Official

Robert Lane

Utility Manager

Sharon A. Bass

Public Service Director

Jerry Torrance



City of Frostproof

The Friendly City

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

Report on the Financial Statements

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 Frostproof, Florida (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland
purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants
An Independent Member of the BDO Alliance USA

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

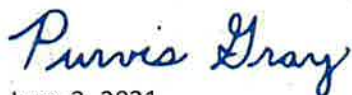
Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 3, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.



June 3, 2021
Lakeland, Florida

As management of the City of Frostproof, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$17,994,729 (net position). Of this amount, \$2,124,365 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$430,667 compared to a decrease of \$543,221 in the prior year.
- The City's governmental activities reported ending net position of \$7,013,069 an increase of \$94,355 or 1% over the prior year.
- The City's business-type activities reporting ending net position of \$10,981,660, a decrease of \$525,022 or 5% over the prior year.

Overview of the Financial Statements

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

Government-wide financial statements

The government-wide financial statements consist of two financial statements that address the financial position and result of operations of the City taken as a whole. These two financial statements are the Statement of Net Position and Statement of Activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is like the accounting used by most private-sector companies. All the current year's revenues and expenses are recorded regardless of when cash is received or paid.

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

The **Statement of Activities** presents total revenues and total expenses of the City with the difference between the two equaling the increase or decrease in net position during the year.

Overview of the Financial Statements (cont...)

The information in each of these two statements presents the activity of the City as governmental activities or business-type activities.

- **Governmental activities** – This category of the government-wide financial statements represents those activities provided by the City, not financed by the imposition of a user fee assessed directly and exclusively against the users of those activities. The governmental activities of the City include general government, public safety, transportation (streets), culture (library, City Hall auditorium, etc.), and community affairs (recreations and parks).
- **Business-type activities** – This category of the government-wide financial statements include those activities which the City charges a fee to customers to cover all or most of the cost of the services the City provides. The business-type activities of the City consist of water, wastewater treatment, sanitation and stormwater services.

The government-wide financial statements can be found by referencing the table of contents of this report and include only the City of Frostproof. There are no component units.

Reporting the City's Most Significant Funds

Fund financial statements

This is the second section of the basic financial statements. These statements present information that centers on individual funds. A fund is a grouping of related accounts that provides control over the resources that are segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The reason for this different accounting approach is that the activities in these funds are not financed from a direct user fee. As a result, there is no emphasis placed on measuring annual net profit or loss resulting from these operations. Instead, the accounting for these funds focuses on whether there will be enough cash flow available in a given year to finance the costs of providing services. The emphasis is more focused on activities occurring within a one-year budget period rather than the long-term.

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.

Overview of the Financial Statements (cont...)

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one major governmental fund referred to as the general fund. The general fund accounts for the activities of a variety of different programs that are not financed from direct user charges. As a major fund, the general fund is accounted for as a separate column on the governmental fund financial statements. All of the other governmental funds of the City are reported collectively as non-major governmental funds and consolidated into a single column of information titled "other governmental funds". This column represents the activity of the City's special revenue funds, which are segregated from the general fund due to legal requirements, regulatory provisions or administrative action.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule is provided as required supplementary information to demonstrate compliance with the budget.

The governmental fund financial statements immediately follow the government-wide financial statements. The budgetary comparison schedule for the general fund is outside the basic financial statements in a section of this report titled "required supplementary information".

Proprietary funds - Proprietary funds are those funds classified as business-type activities in the government-wide financial statements. The basis of accounting used within these statements is the same full accrual method used in the private sector, where the intent is that the costs of providing goods and services are financed primarily through user charges. There is no difference between the basis of accounting used in the government-wide statements and the proprietary fund financial statements.

The City has one proprietary fund, the enterprise fund. This fund appears in the only column in the proprietary funds financial statements.

Fiduciary funds – Fiduciary funds account for the activities of the City's pension trust funds. These activities benefit parties outside the City, such as retired City employees. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting basis used for fiduciary funds is similar to that used for proprietary funds.

Notes to the financial statements

The notes to the financial statements comprise the third section of the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the three components included in the basic financial statements, this annual financial report also includes supplementary information described as follows:

Overview of the Financial Statements (cont...)

Required supplementary information – This section of the report includes the following additional information: 1) schedules that compare the annual operating budgets adopted by the City for the major governmental funds to the actual revenues and expenditures reported for the year; and 2) trend information regarding the performance of the City's pension trust funds.

Government-wide Financial Analysis

The following is a summary of the information presented in the **Statement of Net Position** as referenced in the table of contents of this report.

Statement of Net Position (Summary)

as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 3,179,059	\$ 2,840,787	\$ 1,364,199	\$ 1,735,908	\$ 4,543,258	\$ 4,576,695
Capital assets	4,413,168	4,538,518	12,524,792	12,810,683	16,937,960	17,349,201
Total assets	7,592,227	7,379,305	13,888,991	14,546,591	21,481,218	21,925,896
Deferred outflows	408,920	379,632	87,524	88,585	496,444	468,217
Current liabilities	117,963	129,000	517,386	413,024	635,349	542,024
Non-current liabilities	733,603	524,611	2,406,945	2,639,470	3,140,548	3,164,081
Total liabilities	851,566	653,611	2,924,331	3,052,494	3,775,897	3,706,105
Deferred inflows	136,512	186,612	70,524	76,000	207,036	262,612
Net position:						
Net investment in capital assets	4,413,168	4,538,518	9,913,760	9,953,790	14,326,928	14,492,308
Restricted	1,047,475	904,759	495,961	230,780	1,543,436	1,135,539
Unrestricted	1,552,426	1,475,437	571,939	1,322,112	2,124,365	2,797,549
Total net position	\$ 7,013,069	\$ 6,918,714	\$ 10,981,660	\$ 11,506,682	\$ 17,994,729	\$ 18,425,396

Government-wide Financial Analysis (cont...)

Net position – Investment in Capital Assets – The largest portion of the City's net position, (80%) reflects its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position – Restricted – Restricted net position, representing 9% of the City's total net position, are subject to external restrictions on how they may be used.

Net position – Unrestricted - Unrestricted net position comprises 11% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors.

On September 30, 2020, the City reports positive balances in all three categories of net position for the City as a whole.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Government-wide Financial Analysis (cont...)

The following is a summary of the information presented in the **Statement of Activities** as referenced in the table of contents of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 496,300	\$ 408,250	\$ 1,930,646	\$ 1,851,404	\$ 2,426,946	\$ 2,259,654
Operating grants/contrib.	373,009	324,591	-	-	373,009	324,591
Capital grants/contrib.	163,436	168,804	61,337	23,831	224,773	192,635
<i>General revenues:</i>						
Taxes	1,603,355	1,546,247	-	-	1,603,355	1,546,247
Intergovernmental	337,599	348,118	-	-	337,599	348,118
Other	32,942	7,963	10,463	29,883	43,405	37,846
Total revenues	3,006,641	2,803,973	2,002,446	1,905,118	5,009,087	4,709,091
Expenses:						
General government	533,503	722,975	-	-	533,503	722,975
Law enforcement	1,166,836	1,086,128	-	-	1,166,836	1,086,128
Fire control	176,942	187,898	-	-	176,942	187,898
Building enforcement	43,312	46,783	-	-	43,312	46,783
Transportation	405,028	363,836	-	-	405,028	363,836
Culture	237,156	277,621	-	-	237,156	277,621
Community affairs	349,509	367,595	-	-	349,509	367,595
Water and wastewater	-	-	1,979,611	1,771,430	1,979,611	1,771,430
Sanitation	-	-	445,515	344,837	445,515	344,837
Stormwater	-	-	102,342	83,209	102,342	83,209
Total expenses	2,912,286	3,052,836	2,527,468	2,199,476	5,439,754	5,252,312
Change in Net Position	94,355	(248,863)	(525,022)	(294,358)	(430,667)	(543,221)
Net position - Beginning	6,918,714	7,167,577	11,506,682	11,801,040	18,425,396	18,968,617
Net position - Ending	\$ 7,013,069	\$ 6,918,714	\$ 10,981,660	\$ 11,506,682	\$ 17,994,729	\$ 18,425,396

Governmental activities - Governmental activities increased the City's net position by \$94,355 as compared to a decrease of \$248,863 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue increased by \$202,668 or 7% and total expenses decreased by \$140,550 or 5%.
- General revenue increased \$71,568 or 4% mainly due to increased public service taxes and franchise fee revenue of \$53,000.
- Program revenues increased by \$131,100 or 15% mainly due to increased building permit related revenue, including variance and zoning fees, of \$96,000 and increased private donations of \$33,000.

Government-wide Financial Analysis (cont...)

- Total expenses decreased by \$140,550 or 5% mainly in the general government function that reports a decrease in expenses of \$189,472 when compared to the prior period. This is mainly due to decreased payroll and payroll related expenses, lower repair and maintenance expenses and general declines in large variety of diverse expense categories within the general government function.

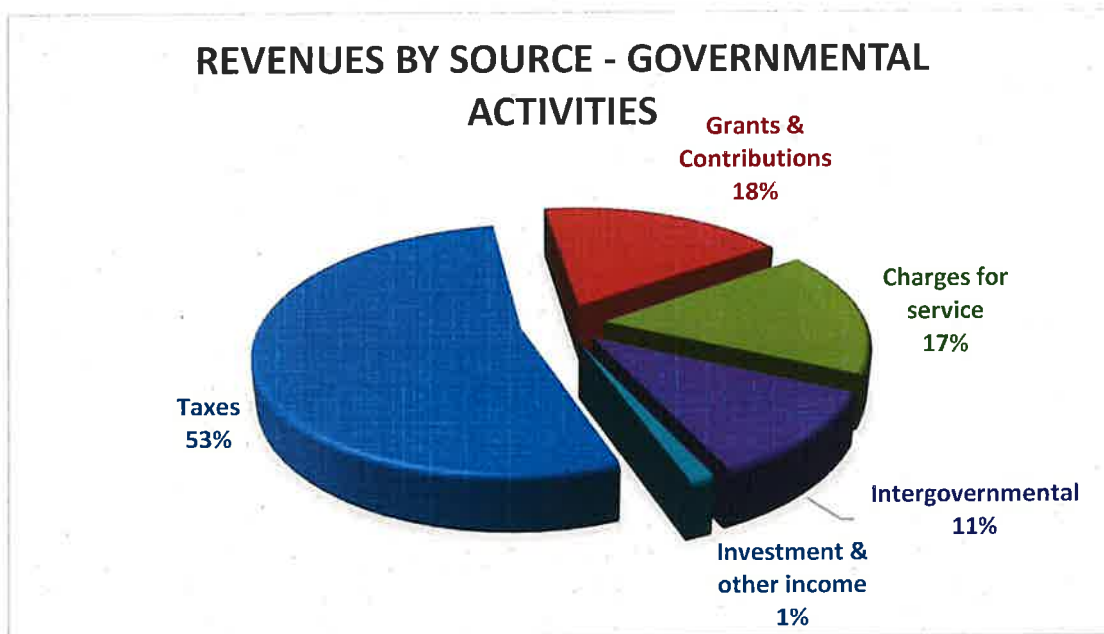
Business-type activities - Business-type activities decreased the City's net position by \$525,022 as compared to a decrease of \$294,358 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue increased by \$97,328 or 5% caused mainly by a \$79,242 (4%) increase in charges for services and a \$37,506 (157%) in capital grants and contributions.
- Total expenses increased by \$327,992 or 15%.
 - Water and wastewater expenses increased by \$208,181 (12%) due to an approximate increase in personnel and related expenses of \$150,000 and increased engineering expenses of \$91,700.
 - Sanitation expenses increased by \$100,678 or 29% due to increased fees charged to the City for solid waste collection and disposal.

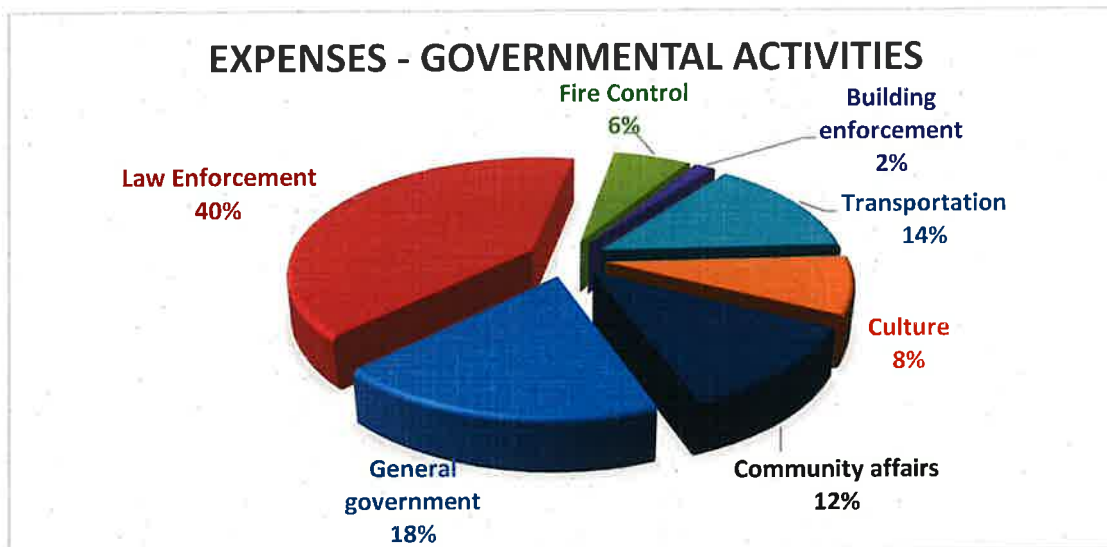
REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Government-wide Financial Analysis (cont...)

The following pie chart illustrates revenues of governmental activity by source for the year ended September 30, 2020. Taxes, which include property, franchise and utility taxes, comprise 53% of the revenue in the City's governmental activities (55% in the prior year). Taxes increased \$57,108 from the prior year.

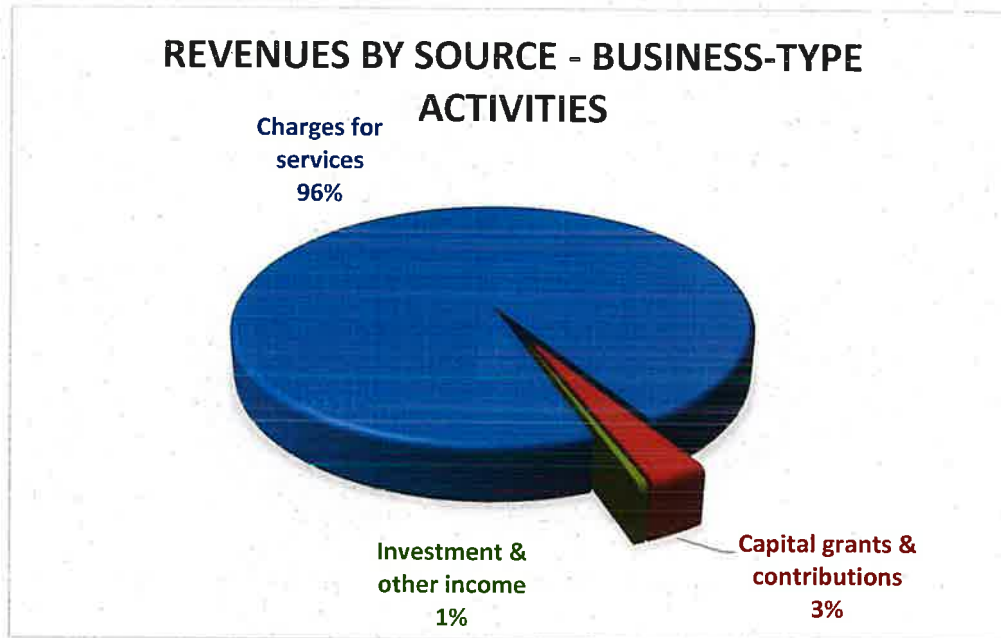


The following pie chart illustrates expenses of governmental activities for the year ended September 30, 2020. Law enforcement is the largest expense and comprises 40% of the expenses in the City's governmental activities (36% in the prior year).

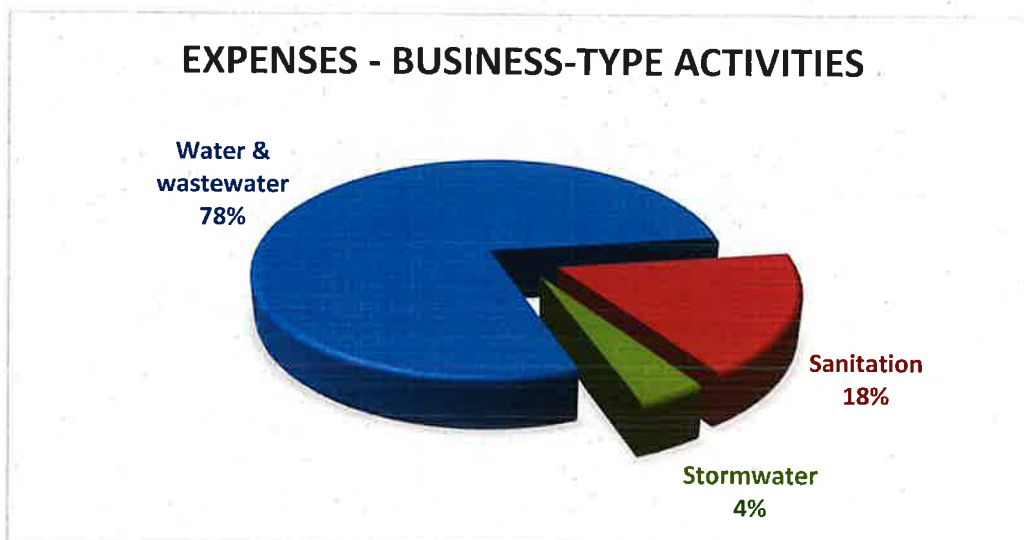


Government-wide Financial Analysis (concluded)

The following pie chart illustrates revenues of business-type activities by source for the year ended September 30, 2020. Charges for services comprise 96% of the revenues in the City's business-type activities (97% in the prior year). Charges for services increased by \$79,242 (4%) from the prior year.



The following pie chart illustrates expenses of business-type activities for the year ended September 30, 2020. The water and wastewater system accounts for 78% of the expenses of the City's business-type activities (80% in the prior year). Water and wastewater system expenses increased by \$208,181 (12%) from the prior year.



Financial Analysis of the Government's Funds

As noted earlier, the City of Frostproof uses fund accounting to segregate the transactions of the City into specific types of operations.

Governmental funds: The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's only major governmental fund, the general fund, reported ending fund balances of \$2,824,791, an increase of \$372,486 in comparison with the previously reported balance in the prior year. Of this total, \$1,539,188 for the general fund constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$1,285,603 is nonspendable, restricted or assigned as indicated. Total fund balance in the prior year was \$2,452,305, of which \$1,557,017 represented unassigned fund balance.

Activity during the current fiscal year included the following key components:

- Total general fund revenues decreased by \$65,724 or 2% mainly due to decreased intergovernmental revenue of \$227,017 or 24%. This is due to nonrecurring grant revenue recognized as fund level revenue for the fiscal year ended September 30, 2019 and as governmental activities program revenue during the fiscal year ended September 30, 2018. This amount was partially offset by increases in franchise and public service tax revenue of \$53,603 (7%) and licenses and permit revenue of \$97,852 (675%).
- Total general fund expenditures decreased by approximately \$287,331 or 10% mainly caused by decreased general government expenditures of \$133,649 (21%) and capital outlay expenditures of \$60,541 (27%)
 - The decline in general government expenditures was mainly due to decreased payroll and payroll related expenses, lower repair and maintenance expenses and general declines in large variety of diverse expense categories within the general government function.

Proprietary funds: The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary fund have been addressed in the discussion of the City's business-type activities.

Financial Analysis of the Government's Funds (concluded)

Fiduciary funds: The City uses fiduciary funds to report assets held in a trustee or agency capacity that are, therefore, not available to support City programs. General and Police Pension Trust Funds are presented in the fiduciary fund financial statements.

General Fund Budgetary Highlights

The general fund's budgetary comparison schedule is presented in this report as required supplementary information. The City revised its original budget to reflect changes in expenditures and revenues.

Actual revenue and other sources (insurance proceeds) on a budgetary basis were greater than budgeted resources by \$10,876 and actual expenditures on a budgetary basis were \$1,150,920 less than budgeted resulting in an overall favorable budget variance of \$1,161,796. The general fund budget was amended during the year to increase budgeted revenue by \$70,370 and budgeted expenditures by \$569,070. The amendments were to account for actual revenue and expenditure amounts that exceeded the City's original estimate.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$16,937,960 (net of accumulated depreciation). This investment includes land, buildings, vehicles, equipment, furnishings, water and wastewater treatment system and stormwater system. This amount represents a net decrease of \$411,241 or 2% under last year which is the result of current year depreciation expenses in excess of current year additions. Information on the City's capital assets is summarized in the following table.

Capital Assets Activity (net of accumulated depreciation) as of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 226,886	\$ 226,886	\$ 80,318	\$ 80,318	\$ 307,204	\$ 307,204
Buildings	1,972,263	2,025,499	-	-	1,972,263	2,025,499
Intangible assets	-	-	105,300	105,300	105,300	105,300
Idle assets	-	-	216,537	216,537	216,537	216,537
Improvements other than buildings	734,759	748,230	-	-	734,759	748,230
Machinery and equipment	518,555	535,565	374,767	213,374	893,322	748,939
Infrastructure	960,705	1,002,338	-	-	960,705	1,002,338
Water and wastewater system	-	-	9,644,890	10,110,009	9,644,890	10,110,009
Stormwater system	-	-	492,715	517,617	492,715	517,617
Construction in progress	-	-	1,610,265	1,567,528	1,610,265	1,567,528
Total	\$ 4,413,168	\$ 4,538,518	\$ 12,524,792	\$ 12,810,683	\$ 16,937,960	\$ 17,349,201

Additional information on the City's capital assets can be found in Note 5 of the Notes to the Financial Statements in this report.

Capital Assets and Debt Administration (concluded)

Long-Term Debt - At the end of the current fiscal year, the City had total debt outstanding in the amount of \$2,611,032 in bonds and loans payable. The following table provides a comparative summary of the City's outstanding debt.

Outstanding Debt						
as of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenue bonds payable	\$ -	\$ -	\$ 1,849,702	\$ 1,995,567	\$ 1,849,702	\$ 1,995,567
Loans payable	-	-	761,330	861,326	761,330	861,326
Total	\$ -	\$ -	\$ 2,611,032	\$ 2,856,893	\$ 2,611,032	\$ 2,856,893

Additional information on the City's long-term debt can be found in Note 6 of the Notes to the Financial Statements of this report.

Requests for information

This financial report is designed to provide a general overview of the City of Frostproof, Florida, finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Manager at the Frostproof City Hall, 111 West First Street, Frostproof, Florida 33843.

CITY OF FROSTPROOF, FLORIDA

Statement of Net Position

September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,492,261	\$ 549,243	\$ 2,041,504
Investments	31,062	-	31,062
Receivables, current:			
Customer accounts, net	-	201,247	201,247
Franchise and utility service taxes	58,086	-	58,086
Intergovernmental	72,342	18,774	91,116
Notes receivable	3,400	-	3,400
Prepaid expense	-	35,072	35,072
Deposits	474,433	-	474,433
Restricted assets:			
Cash and cash equivalents	821,065	420,065	1,241,130
Net pension asset	226,410	139,798	366,208
Capital Assets:			
Non-depreciable	226,886	2,012,420	2,239,306
Depreciable, net	4,186,282	10,512,372	14,698,654
TOTAL ASSETS	7,592,227	13,888,991	21,481,218
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	408,920	87,524	496,444
LIABILITIES			
Accounts payable	82,074	187,951	270,025
Accrued payroll	13,938	14,274	28,212
Due to other governments	6,591	-	6,591
Unearned revenue	15,210	-	15,210
Accrued interest payable	-	8,767	8,767
Customer deposits	150	55,135	55,285
Long-term obligations:			
Due within one year	-	251,259	251,259
Due in more than one year	733,603	2,406,945	3,140,548
TOTAL LIABILITIES	851,566	2,924,331	3,775,897
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	136,512	70,524	207,036
NET POSITION			
Net investment in capital assets	4,413,168	9,913,760	14,326,928
Restricted for:			
Debt service	-	46,865	46,865
Pension benefits	226,410	139,798	366,208
Cultural activities	9,895	-	9,895
Capital improvement	96,347	309,298	405,645
Building code enforcement	21,467	-	21,467
Transportation expenses	661,249	-	661,249
Fire protection services	32,107	-	32,107
Unrestricted	1,552,426	571,939	2,124,365
TOTAL NET POSITION	\$ 7,013,069	\$ 10,981,660	\$ 17,994,729

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Statement of Activities
For the year ended September 30, 2020

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and		
	Expenses	Charges for		Capital	Changes in Net Position		
		Services	Operating Grant and Contributions		Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 533,503	\$ 108,356	\$ 17,091	\$ 2,051	\$ (406,005)	\$ -	\$ (406,005)
Law enforcement	1,166,836	4,305	49,438	2,078	(1,111,015)	-	(1,111,015)
Fire control	176,942	255,399	-	-	78,457	-	78,457
Building enforcement	43,312	95,372	-	-	52,060	-	52,060
Transportation	405,028	27,149	167,045	135,158	(75,676)	-	(75,676)
Culture/recreation	237,156	4,900	95,443	-	(136,813)	-	(136,813)
Community affairs	349,509	819	43,992	24,149	(280,549)	-	(280,549)
Total governmental activities	2,912,286	496,300	373,009	163,436	(1,879,541)	-	(1,879,541)
Business-type activities							
Water and wastewater utility	1,979,611	1,419,922	-	38,000	-	(521,689)	(521,689)
Sanitation utility	445,515	452,567	-	-	-	7,052	7,052
Stormwater utility	102,342	58,157	-	23,337	-	(20,848)	(20,848)
Total business-type activities	2,527,468	1,930,646	-	61,337	-	(535,485)	(535,485)
TOTAL PRIMARY GOVERNMENT	\$ 5,439,754	\$ 2,426,946	\$ 373,009	\$ 224,773	(1,879,541)	(535,485)	(2,415,026)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					915,497	-	915,497
Franchise and public service taxes					687,858	-	687,858
State shared revenue					337,599	-	337,599
Investment earnings					22,215	9,042	31,257
Other revenues					8,317	-	8,317
Gain (loss) on disposal of capital assets					2,410	1,421	3,831
Total general revenues and transfers					1,973,896	10,463	1,984,359
Change in net position					94,355	(525,022)	(430,667)
NET POSITION, beginning of year					6,918,714	11,506,682	18,425,396
NET POSITION, end of year					\$ 7,013,069	\$ 10,981,660	\$ 17,994,729

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Balance Sheet – Governmental Funds
September 30, 2020

		Non-major Latt Maxcy Memorial Library Special Revenue	
	General Fund	Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,492,261	\$ 9,895	\$ 1,502,156
Investments	31,062	-	31,062
Receivables, current:			
Franchise and utility service taxes	58,086	-	58,086
Intergovernmental	72,342	-	72,342
Notes receivable	3,400	-	3,400
Deposits	474,433	-	474,433
Restricted assets:			
Cash and cash equivalents	811,170	-	811,170
Total assets	<u>\$ 2,942,754</u>	<u>\$ 9,895</u>	<u>\$ 2,952,649</u>
LIABILITIES			
Accounts payable	82,074	-	82,074
Accrued wages	13,938	-	13,938
Due to other governments	6,591	-	6,591
Deposits	150	-	150
Unearned revenue	15,210	-	15,210
Total liabilities	<u>117,963</u>	<u>-</u>	<u>117,963</u>
FUND BALANCE			
Nonspendable:			
Deposits	474,433	-	474,433
Restricted for:			
Cultural activities	-	9,895	9,895
Building code enforcement	21,467	-	21,467
Capital improvements	96,347	-	96,347
Transportation improvements	661,249	-	661,249
Fire protection services	32,107	-	32,107
Unassigned	1,539,188	-	1,539,188
Total fund balances	<u>2,824,791</u>	<u>9,895</u>	<u>2,834,686</u>
Total liabilities and fund balance	<u>\$ 2,942,754</u>	<u>\$ 9,895</u>	<u>\$ 2,952,649</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position**September 30, 2020

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 2,834,686**

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 4,413,168

The net pension asset is not an available resource and, therefore, is not
reported in the governmental funds. 226,410

Deferred outflows of resources represent a decrease in net position or
fund balance that applies to a future period(s) and, therefore, are not
reported in the governmental funds. 408,920

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. (136,512)

Compensated absences and net pension liabilities are not due and payable
in the current period and, therefore, are not reported in the funds.

This is the year-end compensated absences liability. (53,237)

This is the year-end net pension liability. (680,366)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 7,013,069

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the year ended September 30, 2020

	General Fund	Non-major Latt Maxcy Memorial Library Special Revenue Fund	Total
REVENUES:			
Taxes:			
Property	\$ 915,497	\$ -	\$ 915,497
Franchise and utility taxes	738,209	-	738,209
Licenses and permits	112,354	-	112,354
Intergovernmental revenue	707,692	-	707,692
Charges for services	390,141	-	390,141
Fines and forfeitures	22,554	-	22,554
Investment income	22,141	-	22,141
Other	105,607	174	105,781
Total revenues	3,014,195	174	3,014,369
EXPENDITURES:			
Current:			
General government	495,109	-	495,109
Public safety	1,199,745	-	1,199,745
Transportation	317,796	-	317,796
Culture	279,485	450	279,935
Community affairs	185,280	-	185,280
Capital outlay	165,185	-	165,185
Total expenditures	2,642,600	450	2,643,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	371,595	(276)	371,319
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	891	-	891
NET CHANGE IN FUND BALANCE	372,486	(276)	372,210
FUND BALANCE, beginning of year	2,452,305	10,171	2,462,476
FUND BALANCE, end of year	\$ 2,824,791	\$ 9,895	\$ 2,834,686

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities**For the year ended September 30, 2020

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	372,210
---	-----------	----------------

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

This is the amount of capital assets recorded in the current period.	154,565
This is the amount of depreciation recorded in the current period.	(271,296)
This is the book value of dispositions recorded in the current period.	(8,619)

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in the governmental funds.

This is the change in accrued compensated absences during the year.	14,957
---	--------

Pension expense is reported in the statement of activities which differs from
pension expenditures as reported in the governmental funds:

This amount represents the change in deferred inflows related to pensions.	50,100
This amount represents the change in deferred outflows related to pensions.	29,288
This amount represents the change in the net pension asset.	(22,901)
This amount represents the change in the net pension liability.	(223,949)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	94,355
--	-----------	---------------

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Statement of Net Position – Proprietary Fund**

September 30, 2020

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 549,243
Customer receivables, net	201,247
Intergovernmental receivables	18,774
Prepaid expenses	35,072
Total current assets	<u>804,336</u>
Noncurrent assets:	
Restricted cash and cash equivalents	420,065
Net pension asset	139,798
Capital assets:	
Non-depreciable	2,012,420
Depreciable, net	10,512,372
Total noncurrent assets	<u>13,084,655</u>
Total assets	<u>13,888,991</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>87,524</u>
LIABILITIES	
Current liabilities:	
Accounts payable	187,951
Accrued wages	14,274
Bonds and notes payable, current	251,259
Total current liabilities	<u>453,484</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	55,135
Interest payable	8,767
Compensated absences	47,172
Bonds and notes payable, noncurrent portion	2,359,773
Total noncurrent liabilities	<u>2,470,847</u>
Total liabilities	<u>2,924,331</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>70,524</u>
NET POSITION	
Net investment in capital assets	9,913,760
Restricted for:	
Debt service	46,865
Pension benefits	139,798
Capital improvements	309,298
Unrestricted	571,939
Total net position	<u>\$ 10,981,660</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund**

For the year ended September 30, 2020

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	
Water and wastewater (pledged as security for revenue bonds)	\$ 1,419,922
Stormwater	58,157
Assessment and franchise fees - Sanitation	452,567
Total operating revenues	<u>1,930,646</u>
OPERATING EXPENSES:	
Personnel services	597,760
Contract services	214,289
Insurance	46,796
Materials and supplies	100,134
Repair and maintenance	137,713
Sanitation fees	392,300
Utilities	84,164
Miscellaneous	16,693
Depreciation	869,256
Total operating expenses	<u>2,459,105</u>
OPERATING LOSS	<u>(528,459)</u>
NONOPERATING REVENUE (EXPENSE)	
Interest expense	(68,363)
Gain (loss) on disposal of property	1,421
Investment revenue	9,042
Total nonoperating revenues (expense)	<u>(57,900)</u>
INCOME BEFORE CONTRIBUTIONS AND GRANTS	<u>(586,359)</u>
CAPITAL CONTRIBUTIONS	
Grants	58,337
Impact fees	3,000
Total capital contributions	61,337
CHANGE IN NET POSITION	<u>(525,022)</u>
NET POSITION, beginning of year	<u>11,506,682</u>
NET POSITION, end of year	<u>\$ 10,981,660</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Statement of Cash Flows – Proprietary Fund**

For the year ended September 30, 2020

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,941,048
Payments to suppliers	(937,823)
Payments for salaries and benefits	(584,640)
Net cash flows from operating activities	<u>418,585</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(583,365)
Principal paid on long-term debt	(245,861)
Interest paid on borrowings	(69,301)
Payments from disposal of assets	1,421
Impact fees received	3,000
Capital grants received, net of change in related receivable	48,279
Net cash flows from capital and related financing activities	<u>(845,827)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on invested funds	9,042
Net cash flows from investing activities	<u>9,042</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(418,200)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,387,508</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 969,308</u></u>
As shown in the Accompanying Financial Statements	
Cash and cash equivalents	\$ 549,243
Restricted cash and cash equivalents	<u>420,065</u>
Total cash and cash equivalents	<u><u>\$ 969,308</u></u>

Continued...

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Statement of Cash Flows – Proprietary Fund (concluded)**For the year ended September 30, 2020

	Enterprise Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (528,459)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	869,256
(Increase) decrease in accounts receivable	9,302
(Increase) decrease in prepaid expenses	(35,072)
Increase (decrease) in customer deposits	1,100
Increase (decrease) in accounts payable	89,338
Increase (decrease) in accrued wages and comp absences	28,198
Increase (decrease) in pension elements	(15,078)
Net cash flows from operating activities	<u>\$ 418,585</u>
Noncash financing and investing activities:	
None	

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Statement of Fiduciary Net Position – Fiduciary Funds****September 30, 2020**

	Pension Trust Funds
ASSETS	
Investments	\$ 5,920,424
Receivables:	
Due from other governments	18,638
Accrued interest and dividends	7,154
Prepaid items	23,863
Total assets	<u>5,970,079</u>
LIABILITIES	
Accounts payable:	
Due to broker	2,322
Total liabilities	<u>2,322</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 5,967,757</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA**Statement of Changes in Fiduciary Net Position – Fiduciary Funds**

For the year ended September 30, 2020

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer:	
City	\$ 124,352
Employee	5,638
On-behalf payments - State of Florida	28,570
Total contributions	<u>158,560</u>
Investment earnings:	
Interest and dividends	92,233
Net increase in the fair value of investments	237,669
Total investment earnings	<u>329,902</u>
Less investment expense	<u>47,478</u>
Net investment earnings	<u>282,424</u>
Total additions	<u>440,984</u>
DEDUCTIONS	
Benefits	304,015
Administrative expenses	21,647
Total deductions	<u>399,982</u>
CHANGE IN NET POSITION	41,002
NET POSITION, beginning of year	<u>5,926,755</u>
NET POSITION, end of year	<u>\$ 5,967,757</u>

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The City of Frostproof, Florida (the "City") is a political subdivision of the State of Florida created by a Home Rule Charter adopted by Ordinance 342 on May 9, 1977 and approved by referendum on May 17, 1977, under the municipal home rule powers act, Florida Statutes Chapter 166. The Charter was amended most recently by referendum on April 3, 2007. The City operates under a council-city manager form of government. These financial statements include all of the funds, organizations, agencies, and departments of the City (the "primary government") and any "legally separate entities ("component units") required by U.S. GAAP to be included in the reporting entity.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Criteria for determining if other entities are potential component units of the City which should be reported with the City's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. A blended component unit, although legally separate, is in substance part of the City's operations and presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds are combined with those of the primary government for financial reporting purposes.

Based on these criteria, the financial reporting entity does not include or exclude any component units.

The financial reporting entity does not include the assets of the employee defined contribution pension plan, which were determined not to be assets of the City.

B. BASIS OF PRESENTATION

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. The City's fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. The City's fiduciary funds are presented in the fund financial statements by type (pension trust funds only) but as noted above are not included in the government-wide statements.

Funds are classified into three categories: governmental, proprietary and fiduciary. The funds used by the City are as follows:

The City reports the following major governmental fund:

- **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as public safety, public works, street construction and maintenance, culture and recreation, and general administration are provided by the general fund.

The City reports the following major proprietary fund:

- **Enterprise Fund** – The Enterprise Fund is used to account for operations that are financed and operated in a manner like private business enterprises where the costs of providing services, including capital costs, are to be recovered with fees and charges for providing sanitation, potable water, stormwater management and, wastewater collection, treatment and disposal to area residents.

In addition, the City reports the following fund types:

- **Special Revenue Funds** – Special Revenue Funds are a type of governmental fund used to account for revenue sources that are usually restricted by law, regulation, or administrative action. The City has one non-major special revenue fund.
- **Pension Trust Funds** – Pension Trust Funds are a type of fiduciary fund used to account for the activities of the general employees' pension and the police officers' pension plans, which accumulate resources for defined benefit payments to qualified employees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 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 claims and judgments, are recorded only when payment is due.

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions are reported as liabilities until the eligibility requirements (excluding time requirements) are met and as deferred inflows if received before time requirements are met and all other eligibility requirements have been satisfied.

The proprietary fund is reported using the *economic measurement focus* and the *accrual basis of accounting*. Proprietary fund operating revenues generally result from producing and providing sanitation, potable water, stormwater management and, wastewater collection, treatment and disposal services to area residents. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

CASH AND INVESTMENTS

- **Cash and Cash Equivalents** – For purposes of the statement of cash flows for the proprietary fund types, cash and equivalents includes cash on hand, bank demand deposits, certificates of deposit, money-market and savings accounts and equity in pooled cash and investments. Equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less.
- **Pooled Cash and Investments** – The City maintains an accounting system which centralizes the investment function of all funds. Each fund's "share" of these pooled cash and investments is included in cash and cash equivalents on the accompanying balance sheets/statements of net position. Investment earnings are distributed monthly in accordance with the participating fund's relative percentage of investments.
- **Restricted Cash and Investments** – Represent equity in pooled cash and investments and separately identified investments that are legally restricted to specific uses by external parties or enabling legislation. The City generally uses restricted resources first when an expenditure/expense is incurred for which both restricted and unrestricted resources are available.
- **Investments** – All investments, including those of the pension trust funds, are stated at fair value, which is either a quoted price or the best available estimate.

RECEIVABLES – In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants, sales, utility and franchise taxes. Receivables for business-type activities represent grants and unpaid bills for utility services. Allowances for uncollectible accounts receivable are based upon historical trends. Receivables are reported net of allowances for uncollectible accounts receivable where applicable. No allowance was recorded as all receivables were deemed collectible.

INTERFUND BALANCES – Transactions between funds that result in amounts owed are referred to as either "due from/to other funds" for current interfund loans or "advances from/to other funds" for noncurrent interfund loans. Amounts receivable from, or payable to, other funds are reflected in the account of the fund until liquidated. Any remaining balances are reported in the government-wide statements as "internal balances".

INVENTORY – Inventories of expendable supplies are recorded at year-end, if material. These inventories are reported at cost on a first-in, first-out basis. They are recorded as expenditures at the time individual inventory items are used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure, and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system) acquired prior to October 1, 2003, have not been reported. Capital assets are defined by City policy as personal or real property or improvements with an individual cost of \$1,000 or more (\$5,000 for infrastructure assets) and an estimated useful life more than one year. Such assets are recorded at historical cost, if purchased and at acquisition value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

In the government-wide statements, capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Depreciation expense is recorded as an expense of each applicable governmental function in the statement of activities, with accumulated depreciation netted with capital assets in the statement of net position. Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Land improvements	15-25
Buildings	25-40
Utility system	20-50
Machinery, equipment and furniture	5-15
Vehicles	7-15
Infrastructure	25-50

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INTEREST COSTS - Interest costs are capitalized when incurred on debt the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2020.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until that time.

The City has one item that qualifies for reporting as deferred outflows of resources. This item is the deferred outflows related to pensions. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The City has one item that qualifies for reporting as deferred inflows of resources. This item is the deferred inflows related to pensions. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as a reduction to pension expense in future reporting years.

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary 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 and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

COMPENSATED ABSENCES – The City personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. The liability for these compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured because of employee resignations, terminations or retirements.

INTERFUND TRANSFERS – Permanent reallocation of resources between the funds of the City is classified as interfund transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement presentation.

CONNECTION FEES AND CAPACITY FEES – Water connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Capacity fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received, which reserve capacity in the City's future water facilities, are reported as capital contributions when the requirements of the Developer agreements are met by the City.

EQUITY CLASSIFICATIONS -

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position – This component consists of net position whose use is subject to external constraints (such as through debt covenants) by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the City's circumstances. The following classifications describe the relative strength of the spending constraints:

- a) **Nonspendable** — amounts that cannot be spent either because they are in nonspendable form (such as inventory) or because they are legally or contractually required to be maintained intact.
- b) **Restricted** — amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c) **Committed** — amounts constrained to specific purposes by formal action (ordinance) of the City using its highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action (ordinance) to remove or change the constraint.
- d) **Assigned** — amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. The City Council has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.
- e) **Unassigned** — amounts that represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

USE OF ESTIMATES — The preparation of the basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special districts and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Council prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the Polk County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2020 was 6.9705.

All taxes are due and payable on November 1 of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The City charter establishes the fiscal year as the twelve-month period beginning October 1st. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a proposed budget of estimated expenditures and revenues to the City Council.

Upon receipt of the budget estimates, the City Council holds public hearings on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

On or before September 30th, the budget is legally enacted for the General and Enterprise Funds through the passage of an ordinance. The City manager is authorized to transfer budgeted amounts between line items and departments; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures for the General Fund may not exceed legal appropriations at the department level.

Budgetary information is presented as Required Supplementary Information. The budgetary comparison schedule for the General Fund, the only major governmental fund, can be found by referencing the table of contents of this report.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk-Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's cash deposits may not be returned to the City.

The City's deposits (cash and certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. All deposits are held in *qualified public* depositories. These depositories participate in a shared risk collateral pool overseen by the State of Florida and established by Florida Statute. The State of Florida collateral pool is a multiple financial institution pool which provides for additional amounts to be assessed to the members of the pool if the value of the pool's collateral is inadequate to cover a loss. The amounts covered by the pool are considered *insured* for financial reporting disclosure requirements. Because of this arrangement, management believes the City's deposits are not exposed to custodial credit risk.

On September 30, 2020, the carrying amount of the City's deposits and investments (excluding pension trust funds) is summarized below:

Cash and cash equivalents:	
Cash on hand	\$ 400
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>3,282,234</u>
Total cash and cash equivalents	<u>\$ 3,282,634</u>

NOTE 4 – CASH AND INVESTMENTS (cont...)

Restricted Cash

Certain cash and cash equivalents are legally restricted in the statement of net position on September 30, 2020 as follows:

	Governmental Activities	Business-type Activities
Capital improvements - transportation	\$ 661,249	\$ -
Cultural services	9,895	-
Fire protection services	32,107	-
Building code enforcement	21,467	-
Impact fees:		
Water	-	5,250
Sewer	-	3,000
Stormwater	-	600
Fire protection	20,192	-
General government	17,106	-
Library	10,818	-
Police	11,748	-
Parks and recreation	21,593	-
Transportation	14,890	-
Stormwater management	-	300,448
Customer deposits	-	55,135
Debt service	-	55,632
Total restricted cash	\$ 821,065	\$ 420,065

Investments

The City does not have a formal investment policy for dealing with investment risks and therefore follows the guidance in the Florida Statutes. The types of investments in which the City may invest are governed by section 218.415, Florida Statutes. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury.

The pension trust funds have individual investment policies which set forth the allowable mix and type of investments allowed including corporate or other bonds and common stock with certain limitations.

NOTE 4 – CASH AND INVESTMENTS (cont...)

Investments (cont...)

As of September 30, 2020, the City had the following investments at fair value:

	Governmental Activities	Fiduciary Funds	Total	Portfolio
Investment Type:				
Money market funds	\$ -	\$ 91,676	\$ 91,676	1.54%
U.S. treasuries	31,062	246,234	277,296	4.66%
U.S. Gov't agencies	-	24,297	24,297	0.41%
FMPTF (a)	-	1,629,478	1,629,478	27.38%
Corporate bonds	-	241,140	241,140	4.05%
Corporate stocks	-	2,923,204	2,923,204	49.12%
Fixed income ETF	-	738,284	738,284	12.41%
Real estate investment trusts	-	26,111	26,111	0.44%
Total investments	\$ 31,062	\$ 5,920,424	\$ 5,951,486	100.00%

- (a) The Florida Municipal Pension Trust Fund (FMPTF) is an external investment pool administered by the Florida League of Cities, Inc. The City has a beneficial interest in the portfolio, not in the individual securities held within each portfolio. This fund's investments are targeted for a 60% allocation in equity securities and the remaining 40% in bonds and real estate investments. Separately issued financial statements may be obtained by contacting the administrator for the FMPTF at 301 Bronough Street, Suite 300, Tallahassee, Florida 32301.

Investments – Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City (excluding pension trust fund investments) has the following recurring fair value measurements as of September 30, 2020:

- U.S. Treasury securities of \$31,062 are valued using quoted market prices (Level 1 inputs).

NOTE 4 – CASH AND INVESTMENTS (cont...)

The City's Pension Trust Funds have the following recurring fair value measurements as of September 30, 2020:

General Employees' Pension Trust Fund:

The General Employees' Pension Trust Fund is a participating member of the FMPTF. All assets with the FMPTF are invested through the Florida Municipal Investment Trust (FMIvT) for the benefit of the participating members. The FMIvT, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida as a local government investment pool and is considered an external investment pool for GASB purposes and therefore, the City is not required to categorize the positions in the pool within the fair value hierarchy as established by U.S. GAAP. Redemptions from the FMIvT are permitted monthly upon advance written notification.

As of September 30, 2020, the carrying amount of the General Employees' Pension Trust Fund's investments with the FMIvT were as follows:

General Employees' Pension Trust Fund	
FMIvT Cash Fund	\$ 13,247
FMIvT Broad Market High Quality Bond Fund	226,468
FMIvT Core Plus Fund	228,097
FMIvT Diversified Large Cap	588,165
FMIvT Diversified Small to Mid Cap Fund	166,185
FMIvT International Equity	259,053
FMIvT Core Real Estate	148,263
Total	<u>\$ 1,629,478</u>

NOTE 4 – CASH AND INVESTMENTS (cont...)

Police Officers' Pension Trust Fund:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	September 30, 2020			
Investment by fair value level				
Debt securities				
U.S. Treasury securities	\$ 246,234	\$ -	\$ 246,234	\$ -
U.S. Agencies	24,297	-	24,297	-
Corporate bonds	241,140	-	241,140	-
Fixed income exchange traded fund	738,284	738,284	-	-
Total debt securities	1,249,955	738,284	511,671	-
Equity securities				
Domestic	2,201,710	2,196,987	-	4,723
Foreign	721,494	721,494	-	-
Real estate	26,111	26,111	-	-
Total equity securities	2,949,315	2,944,592	-	4,723
Total investments by fair value level	4,199,270	\$ 3,682,876	\$ 511,671	\$ 4,723
Investments measured at amortized cost				
Money market mutual funds	91,676			
Total investments	\$ 4,290,946			

Debt and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 4 – CASH AND INVESTMENTS (concluded)

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that change in interest rates could adversely affect an investment's fair value. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy regarding interest rate risk, credit risk or foreign currency risk.

The schedule below summarizes the fixed income investments by credit rating and maturity (a measure of credit risk and interest rate risk).

Investment Type	Credit Rating (a)	Fair Value	Weighted Average Maturity
Governmental activities:			
U.S. Treasury securities	AAA	\$ 31,062	1.00
General Employees' Pension Trust Fund:			
FMLVT Broad Market High Quality Bond Fund	AAf/S4	226,468	6.43
FMLVT Core Plus Fund	Not Rated	228,097	5.16
		<u>\$ 454,565</u>	
Police Officers' Pension Trust Fund:			
U.S. Treasury securities	AAA	246,234	3.31
U.S. Agencies	AA+	24,297	0.65
Corporate bonds	BBB+ to AAA	241,140	3.14
iShares Barclays Aggregate Bond Fund ETF	Not Rated	521,589	7.97
Barclays TIPS bond fund ETF	Not Rated	216,695	8.07
		<u>\$ 1,249,955</u>	

(a) The credit rating service listed above is S&P except for the FMLVT investments which is rated by Fitch

Concentration of Credit Risk

Concentration of credit risk is defined as when five percent or more of the total investments are invested with one issuer. Investments issued or explicitly guaranteed by the United States government and investments in mutual funds or pools are excluded. There were no concentrations to disclose for the year ended September 30, 2020.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2020 was as follows:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 226,886	\$ -	\$ -	\$ 226,886
Total capital assets, not being depreciated	226,886	-	-	226,886
Capital assets, being depreciated:				
Buildings	4,260,897	38,774	(10,062)	4,289,609
Capitalized building lease	97,154	-	-	97,154
Improvements, other than buildings	1,735,662	37,210	-	1,772,872
Equipment	2,548,641	76,130	(30,551)	2,594,220
Infrastructure	1,272,651	2,451	-	1,275,102
Total capital assets, being depreciated	9,915,005	154,565	(40,613)	10,028,957
Less accumulated depreciation for:				
Buildings	(2,296,119)	(97,036)	17,517	(2,375,638)
Capitalized building lease	(36,433)	(2,429)	-	(38,862)
Improvements, other than buildings	(987,432)	(50,681)	-	(1,038,113)
Equipment	(2,013,076)	(77,066)	14,477	(2,075,665)
Infrastructure	(270,313)	(44,084)	-	(314,397)
Total accumulated depreciation	(5,603,373)	(271,296)	31,994	(5,842,675)
Total capital assets being depreciated, net	4,311,632	(116,731)	(8,619)	4,186,282
Governmental activities capital assets, net	\$ 4,538,518	\$ (116,731)	\$ (8,619)	\$ 4,413,168
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 80,318	\$ -	\$ -	\$ 80,318
Construction-in-progress	1,567,528	42,737	-	1,610,265
Intangible assets	105,300	-	-	105,300
Idle assets	216,537	-	-	216,537
Total capital assets, not being depreciated	1,969,683	42,737	-	2,012,420
Capital assets, being depreciated:				
Water and wastewater system	18,622,894	309,442	-	18,932,336
Stormwater system	853,719	-	-	853,719
Machinery and equipment	791,209	231,186	(47,451)	974,944
Total capital assets, being depreciated	20,267,822	540,628	(47,451)	20,760,999
Less accumulated depreciation for:				
Water and wastewater system	(8,512,885)	(774,561)	-	(9,287,446)
Stormwater system	(336,102)	(24,902)	-	(361,004)
Machinery and equipment	(577,835)	(69,793)	47,451	(600,177)
Total accumulated depreciation	(9,426,822)	(869,256)	47,451	(10,248,627)
Total capital assets being depreciated, net	10,841,000	(328,628)	-	10,512,372
Business-type activities capital assets, net	\$ 12,810,683	\$ (285,891)	\$ -	\$ 12,524,792

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	41,773
Public safety		48,882
Transportation		72,297
Culture		52,147
Community affairs		56,197
Total depreciation expense - governmental activities	\$	<u>271,296</u>

Business-type Activities:

Water and wastewater system	\$	844,703
Stormwater system		24,498
Sanitation		55
Total depreciation expense - business-type activities	\$	<u>869,256</u>

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2020:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Amounts Due within One Year
Governmental Activities:					
Long-term liabilities:					
<i>Other liabilities:</i>					
Net pension liability	\$ 456,417	\$ 223,949	\$ -	\$ 680,366	\$ -
Compensated absences	68,194	9,302	(24,259)	53,237	-
Total long-term liabilities	<u>\$ 524,611</u>	<u>\$ 233,251</u>	<u>\$ (24,259)</u>	<u>733,603</u>	<u>\$ -</u>
Less amounts due in one year					-
Net long-term liabilities in excess of one year				<u>\$ 733,603</u>	
Business-type Activities:					
Long-term liabilities:					
<i>Revenue bonds payable</i>					
Water and sewer system refunding revenue bond, series 2012	\$ 1,068,644	\$ -	\$ (83,080)	\$ 985,564	\$ 85,642
Water and sewer system refunding revenue bond, series 2017	926,923	-	(62,785)	864,138	63,521
<i>Loans payable</i>					
Florida Department of Environmental Protection loan	861,326	-	(99,996)	761,330	102,096
Total revenue and loans payable	<u>2,856,893</u>	<u>-</u>	<u>(245,861)</u>	<u>2,611,032</u>	<u>251,259</u>
<i>Other liabilities:</i>					
Compensated absences	27,774	43,495	(24,097)	47,172	-
Total long-term liabilities	<u>\$ 2,884,667</u>	<u>\$ 43,495</u>	<u>\$ (269,958)</u>	<u>2,658,204</u>	<u>\$ 251,259</u>
Less amounts due in one year				<u>(251,259)</u>	
Net long-term liabilities in excess of one year				<u>\$ 2,406,945</u>	

Notes to Long-Term Obligations Table

Long term liabilities, including accumulated compensated absences, are typically liquidated by the individual fund to which the liability is directly associated. All of the City's long-term debt (revenue bonds and loans payable) arose through direct borrowings or direct placements.

Business-Type Activities:

Revenue Bonds Payable:

- The **2012 Series Water and Sewer Refunding Revenue Bond** was issued on August 21, 2012 in the amount of \$1,583,306 (par value) and is secured by the net revenues of the water and wastewater systems and any legally available non-ad valorem revenues of the City. The bond bears interest at 3.06% and payments are due in annual installments, including principal and interest, in the amount of \$115,150 with the final payment due in September 2030. The bond issue requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The City is also required to provide net water and wastewater revenues sufficient to maintain minimum debt service coverage of 120%.

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table (cont...)

- The **2017 Series Water and Sewer Refunding Revenue Bond** was issued June 23, 2017 to refund the United States Department of Agriculture, Rural Utilities Service Loan in the amount of \$1,050,937. The bond bears interest at 2.24% and payments are due semiannually on each March 1 and September 1, including principal and interest, with a final maturity on September 1, 2032. The bond requires the maintenance of a sinking fund. The 2017 Water and Sewer Refunding Bond is on parity with the 2012 Series Water and Sewer Revenue Refunding Bond.

Loans Payable:

- The **State of Florida Department of Environmental Protection Loan** was issued in the amount of \$2,000,000 and provided funds for the collection, transmission and treatment of the wastewater system in the northwest and southeast quadrants of the City and for the planning and design of new collector sewers. The loan bears interest at 2.09% and payments are due in semiannual installments, including principal and interest installments of \$58,739 with the final payment due in June 2027.
- The **State of Florida Department of Environmental Protection Loan** is secured by the net revenues of the water and wastewater system. This loan is subordinate to the **2012 and 2017 Water and Sewer Refunding Revenue Bonds** which are secured by the same revenue. These loans require the maintenance of sinking and reserve funds at various specified amounts and require a minimum debt service coverage of 115% and 120%, respectively.

Remedies: All of the City's long-term debt obligations allow for the obligors/lenders to take whatever legal actions are necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of default as follows:

- **2017 Water and Sewer Refunding Revenue Bond** – The lender may, at their option, declare the entire principal amount outstanding and accrued interest immediately due and payable and may take possession of the water and sewer system and repair, maintain and operate or rent it.
- **State of Florida Department of Environmental Protection Loan** – The lender may request a court to appoint a receiver to manage the City's water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors, and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to as much as 1.667 times the loan interest rate.

NOTE 6 - LONG-TERM OBLIGATIONS (concluded)

Maturities: Annual requirements to repay all long-term bonds and notes payable for business-type activities as of September 30, 2020, are as follows:

Fiscal Year Ending	Business-type Activities		
	Principal	Interest	Total
2021	\$ 251,259	\$ 63,892	\$ 315,151
2022	257,475	57,676	315,151
2023	263,850	51,300	315,150
2024	270,389	44,762	315,151
2025	277,094	38,057	315,151
2026-2030	1,130,446	92,876	1,223,322
2031-2035	160,519	4,529	165,048
Total	<u>\$ 2,611,032</u>	<u>\$ 353,092</u>	<u>\$ 2,964,124</u>

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

NOTE 7 – PLEDGED REVENUES

Debt service Coverage – The City is required by the loan covenants of the water and wastewater revenue bonds to provide debt service coverage for bond payments of 120% for the year. The Florida Department of Environmental Protection (FDEP) also requires coverage of 115% for its loan payments for the year. The City is in compliance with these debt service coverage requirements as follows:

Gross revenues (a)	\$ 1,428,964
Less:	
Operating expenses (b)	(1,066,545)
Net available revenue - Revenue bonds	\$ 362,419
Debt service requirements - Revenue bonds	\$ 197,674
Coverage - Revenue bonds	183%
Net available revenue - Revenue bonds	\$ 362,419
Required net revenues for Revenue bonds	(237,209)
Net available revenue - FDEP	\$ 125,210
Debt service requirements - FDEP	\$ 135,100
Coverage - FDEP	93%

(a) Includes operating revenues for water and wastewater treatment and investment revenue

(b) Excludes sanitation expenses (\$445,515), stormwater expenses (\$102,342), and water and wastewater depreciation expense (\$844,703).

While the City was able to meet the senior debt service coverage requirements, the City was unable to meet the subordinate FDEP coverage requirements mainly due to nonrecurring engineering costs related to a new water use permit application and a water and wastewater rate study conducted during year ended September 30, 2020. Because these expenses are not expected to recur in the future and because the City will be adjusting their water and sewer rates as a result of the rate study, management expects to meet the subordinate FDEP coverage requirements in the future.

The City has pledged various future revenue sources for various debt issues. For the water and sewer system, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issues.

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Water and wastewater net revenues	9/15/2032	\$ 2,964,124	\$ 315,152	\$ 362,419	115.00%

NOTE 8 – PENSION PLANS

The City maintains two separate single employer defined benefit pension plans for its employees. Each provides retirement, disability, and death benefits to plan members and beneficiaries. Both plans were established by City ordinance and are governed by separate board of trustees. The pension plans do not issue stand-alone financial reports. These plans are subject to review by independent actuaries to determine annual required contributions.

It is the policy of the City to fund pension costs for defined benefit plans on an actuarial basis, which includes amortization of prior service costs, and to fund defined contribution plans as pension costs accrue.

In the government-wide and proprietary statement of net position, assets or liabilities are recognized for the City's share of each defined benefit pension plan's net pension asset or liability. For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's sponsored single employer plans and additions to/deductions from the City's sponsored single employer plans have been determined on the same basis as they are reported by the City's sponsored single employer plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Employees' Pension Trust Fund

Plan Description – All employees working at least 20 hours each week, excluding police officers, are required to participate in the City's general employees' pension plan after one year of service.

As of October 1, 2020 (the latest available actuarial report date), the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	9
Inactive employees entitled to but not receiving benefits or refund of contributions	18
Active plan members	12
Total	<u>39</u>

NOTE 8 – PENSION PLANS (cont...)

General Employees' Pension Trust Fund (cont...)

Benefits Provided – The plan provides retirement, disability, and pre-retirement death benefits to all current members. Normal retirement age is 65 with at least 10 years of credited service. Upon normal retirement, members are entitled to a benefit at 1.5% of their average final compensation for each year of credited service (up to 30 years). Early retirement age is 55 with at least 10 years of credited service. Upon early retirement, the benefit is reduced actuarially for each year by which the participant's early retirement age precedes the normal retirement age. The plan also provides disability benefits for participants who are disabled on a continuous and permanent basis.

Employees are 100% vested after 10 years of service. The average compensation is equal to the average of the highest consecutive five years of pensionable earnings out of the last 10 years of service. Disability and pre-retirement death benefit amounts are the actuarial equivalent of the normal retirement benefit.

Contributions – The City Council establishes and may amend by ordinance the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. Plan members contribute 1% of pensionable earnings. The City's actuarially required contribution for the year ended September 30, 2020 was \$15,540. Actual contributions for the year were zero as the City utilized an unallocated overpayment from a prior year to fund the 2020 required contribution.

Net Pension Liability – The City's September 30, 2020 net pension liability was measured as of September 30, 2020.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2019, that was updated to September 30, 2020 (City's measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2020
Valuation date	October 1, 2019
Discount rate	7.00% per year (2.77% per year is attributable to long term inflation); this rate was used to discount all future benefit payments.
Salary increases	5.50% per year, plus average earnings are loaded by 2.50% for accumulated leave payments upon termination of employment
Cost of living increases	None is assumed

NOTE 8 – PENSION PLANS (cont...)

General Employees' Pension Trust Fund (cont...)

The mortality table used was the sex distinct rates set forth in the RP-2000 Mortality Table, as published by the Internal Revenue Service for IRC Section 430, with full generational improvements in mortality using Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates 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 as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Core bonds	15.00%	1.60%
Core plus	15.00%	2.10%
U.S. large cap equity	34.00%	4.60%
U.S. small cap equity	11.00%	5.50%
Non-U.S. equity	15.00%	6.70%
Core real estate	10.00%	5.00%
Total or weighted arithmetic average	100.00%	4.23%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. This discount rate was based on the expected rate of return on pension plan investments of 4.23% and a 2.77% per year attributable to long term inflation. The projection of cash flows used to determine the 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – PENSION PLANS (cont...)

General Employees' Pension Trust Fund (cont...)

The components of the net pension liability (asset) for the Plan as of September 30, 2020, were as follows:

Total pension liability	\$ 1,263,270
Plan fiduciary net position	(1,629,478)
Net pension liability (asset)	<u>\$ (366,208)</u>
Plan fiduciary net position as a percentage of the total pension liability	129%

Changes in City's Net Pension (Asset) Liability – Changes in the City's net pension (asset) liability for the year ending September 30, 2020 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Measurement date - September 30, 2019	\$ 1,270,334	\$ 1,648,780	\$ (378,446)
Changes for the year:			
Service cost	45,005	-	45,005
Interest	89,816	-	89,816
Difference between actual and expected experience	(21,648)	-	(21,648)
Contributions - employee	-	4,884	(4,884)
Net investment income	-	96,051	(96,051)
Benefit payments, including refunds of employee contributions	(120,237)	(120,237)	-
Net changes	(7,064)	(19,302)	12,238
Measurement date - September 30, 2020	<u>\$ 1,263,270</u>	<u>\$ 1,629,478</u>	<u>\$ (366,208)</u>

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate – The following presents the plan's net pension (asset) liability, calculated using the current discount rate of 7%, as well as what the plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current discount rate:

As of September, 9/30/2020	Current Discount Rate	1% Decrease	Current Rate	1% Increase
	7.00%	\$ (182,932)	\$ (366,208)	\$ (517,849)

NOTE 8 – PENSION PLANS (cont...)

General Employees' Pension Trust Fund (concluded)

Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan – For the year ended September 30, 2020, the City recognized pension expense of \$14,899. On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,809	\$ 204,761
Change in assumptions	191,917	-
Net difference between projected and actual earnings on Plan investments	-	2,275
Total	<u>\$ 252,726</u>	<u>\$ 207,036</u>

The deferred outflows and inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year ending September 30,	Amount
2021	\$ (13,533)
2022	3,776
2023	5,339
2024	179
2025	2,942
Thereafter	46,987
Total	<u>\$ 45,690</u>

Payables to Pension Plan – On September 30, 2020, the City reported no payables for outstanding contributions.

Money-weighted Rate of Return – For the year ended September 30, 2020, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts invested for the plan was 6.8%.

NOTE 8 – PENSION PLANS (cont...)

Police Officers' Pension Trust Fund

Plan Description – All Police Officers as of January 1, 2007, who elected to remain members of the system shall remain members of the system. There shall be no new members. All members shall be employed as a deputy sheriff by the Polk County Sheriff's Department because of the merger of the City Police Department and the Polk County Sheriff's Department.

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: two City residents appointed by the City Council, two Police Officers elected by a majority of Police Officers, and a fifth member that is elected by the Board and appointed (as a ministerial duty) by the City Council.

As of October 1, 2018 and 2019 (the latest available actuarial report date), the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	9
Inactive employees entitled to but not receiving benefits	3
Active plan members	1
Total	<u>13</u>

Benefits Provided – The plan provides retirement, termination, disability and death benefits to all current members. Normal retirement age is 50 or the completion of 20 years of credited service. Upon normal retirement, members are entitled to a benefit at 3.55% of their average final compensation for each year of credited service. Early retirement age is 45 with at least 10 years of credited service. Upon early retirement, the accrued benefit reduces by 1/15th for each of the first 5 years and 1/30th for each of the next 5 years that early retirement precedes normal retirement.

Employees that are vested (upon termination of employment) with less than 5 years of contributions will receive a refund of accumulated contributions. Employees with 5 years or more will obtain a percentage of accrued pension that is payable at normal retirement or on a reduced basis at early retirement, per the following schedule:

<u>Years of Service</u>	<u>Percent</u>
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

Disability benefits include the amount of benefit accrued to date of disability but not less than 50% of Average Final Compensation on date of disability for service-connected members. For non-service-connected members, the disability benefit is the greater of the benefit accrued at date of disability using 2% benefit rate, or 25% of their average final compensation.

Pre-retirement death benefits include 50% of average final compensation continued to spouse until death or 15% to each unmarried child until age 18 (22 if student) with a maximum total to all children of 50% for service-connected members.

NOTE 8 – PENSION PLANS (cont...)

Police Officers' Pension Trust Fund (cont...)

The pre-retirement death benefits for non-service-connected members are the same as for service-connected except the benefit for spouse or maximum benefit for children is 25% of average final compensation. The minimum death benefit is the actuarial equivalent of Member's accrued benefit payable to beneficiary for life. The death benefit after retirement is payable in accordance with the optional form of pension selected at time of retirement. The cost - of - living adjustment for retirees is up to 3% per year beginning on the October 1 following normal retirement age.

Contributions – The Police Officers' Pension Trust Fund receives proceeds from an excise tax on casualty insurance premiums to fund its annual required contribution. While the City no longer has its own police department, some of the City police officers who transferred to the Polk County Sheriff's Office elected to remain with the City retirement plan. If the excise tax proceeds on property insurance premiums are not adequate to maintain the actuarial soundness of the City plan, the Polk County Sheriff's Office ("PCSO") will contribute to the plan but is not required to contribute more than the Florida Retirement System percentage. The City will contribute any remaining shortfall.

For the year ended September 30, 2020, the excise tax totaled \$28,570 and the contribution from the PCSO totaled \$19,868. Both are treated as on-behalf payments with the proceeds recorded as operating grants and public safety expenses/expenditures in the government-wide and general fund financial statements. Plan members are required to contribute 1% of their salary. The City's actuarially required contribution for the year ended September 30, 2020 was \$165,168. Actual contributions for the year from the City, including the excise tax amount, and Sheriff Office equaled \$152,922 or 93% of the required contributions. The City has prepaid contributions available to offset the difference between the actual contributions and the required amount.

Net Pension Liability – The City's September 30, 2020 net pension liability was measured as of September 30, 2019.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2018, that was updated to September 30, 2019 (City's measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2019	September 30, 2020
Valuation date	October 1, 2018	October 1, 2019
Inflation	2.50%	2.50%
Salary increases	4.00%	4.00%
Discount rate	7.00%	7.00%
Investment rate of return	7.00%	7.00%

The mortality table used for the September 30, 2019 measurement date was the RP-2000 Generational Mortality Table for males and females with mortality improvement projected to future years using Scale BB.

NOTE 8 – PENSION PLANS (cont...)

Police Officers' Pension Trust Fund (cont...)

The mortality table used for the September 30, 2020 measurement date were based on the Society of Actuaries' Relirement Plans Experience Committee (RPEC) Pub-2010 Public Retirement Plans Mortality Tables Reports. All rates were projected generationally with Mortality Improvement Scale MP-2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates 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 as of September 30, 2019 and 2020 are summarized in the following tables:

September 30, 2019:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	5.75%
International equity	12.50%	5.20%
Emerging markets equity	2.50%	6.90%
Fixed income	30.00%	1.97%
MLP/Energy infrastructure	10.00%	5.10%
Total allocation and weighted arithmetic average rate of return	100.00%	4.51%

September 30, 2020:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	5.60%
International equity	12.50%	4.53%
Emerging markets equity	2.50%	6.10%
Fixed income	30.00%	1.56%
MLP/Energy infrastructure	10.00%	4.80%
Total allocation and weighted arithmetic average rate of return	100.00%	4.19%

NOTE 8 – PENSION PLANS (cont...)

Police Officers’ Pension Trust Fund (cont...)

Discount Rate - A single discount rate of 7.0% was used to measure the total pension liability as of the September 30, 2019 and 2020 measurement dates. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.0%) was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability as of the Plan’s Financial Reporting Date - The components of the net pension liability as of the Plan’s financial reporting date of September 30, 2020, which differs from the City’s measurement date of September 30, 2019, was as follows:

Total pension liability	\$	4,895,510
Plan fiduciary net position		(4,338,279)
Net pension liability (asset)	\$	<u>557,231</u>
Plan fiduciary net position as a percentage of the total pension liability		89%

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

NOTE 8 – PENSION PLANS (cont...)

Police Officers' Pension Trust (cont...)

Changes in City's Net Pension Liability – Changes in the City's net pension liability for the measurement date ending September 30, 2019 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Measurement date - September 30, 2018	\$ 4,721,584	\$ 4,265,167	\$ 456,417
Changes for the year:			
Service cost	11,966	-	11,966
Interest	331,768	-	331,768
Difference between actual and expected experience	26,080	-	26,080
Changes of assumptions	118,271	-	118,271
Contributions - City	-	146,650	(146,650)
Contributions - State	-	27,130	(27,130)
Contributions - employee	-	708	(708)
Net investment income	-	115,702	(115,702)
Benefit payments, including refunds of employee contributions	(251,328)	(251,328)	-
Administrative expense	-	(26,054)	26,054
Net changes	236,757	12,808	223,949
Measurement date - September 30, 2019	\$ 4,958,341	\$ 4,277,975	\$ 680,366

In accordance with GASB Cod. Sec. P20, the City's net pension liability of the Police Officers' Pension Trust is measured as of end of the prior fiscal year. The City's September 30, 2020 net pension liability (reporting date) for the Police Officers' Pension Trust was measured as of September 30, 2019 (measurement date). The City uses the same date for the measurement date and the reporting date for the General Employees' Pension Trust Fund.

NOTE 8 – PENSION PLANS (cont...)

Police Officers' Pension Trust (cont...)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate – The following presents the net pension liability of the City as of the measurement date (September 30, 2019), and as of the Plan's financial reporting date (September 30, 2020), calculated using the current discount rate for each of the calculations as well as what the plan's net pension (asset) 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:

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2019	7.00%	1,356,663	680,366	134,054
9/30/2020	7.00%	1,196,211	557,231	37,413

Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan – For the year ended September 30, 2020, the City recognized pension expense of \$290,407. On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	\$ 90,796	\$ -
City contributions subsequent to the measurement date	152,922	-
Total	<u>\$ 243,718</u>	<u>\$ -</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2019 will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Remaining amounts reported as deferred inflows and outflows of resources will be recognized in pension expense in the years and amounts shown below.

Year ending September 30,	Amount
2021	\$ 4,142
2022	18,105
2023	31,012
2024	37,537
Total	<u>\$ 90,796</u>

NOTE 8 – PENSION PLANS (cont...)

Police Officers' Pension Trust (concluded)

Payables to Pension Plan – On September 30, 2020, the City reported no payables for outstanding contributions.

Money-weighted Rate of Return – For the year ended September 30, 2020, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested for the plan was 4.47%.

Pension Plan Financial Statements

Statement of Fiduciary Net Position as of September 30, 2020:

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
ASSETS			
Investments	\$ 1,629,478	\$ 4,290,946	\$ 5,920,424
Receivables:			
Due from other governments	-	18,638	18,638
Accrued interest and dividends	-	7,154	7,154
Prepaid items	-	23,863	23,863
Total assets	<u>1,629,478</u>	<u>4,340,601</u>	<u>5,970,079</u>
LIABILITIES			
Accounts payable:			
Due to broker	-	2,322	2,322
Total liabilities	<u>-</u>	<u>2,322</u>	<u>2,322</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 1,629,478</u>	<u>\$ 4,338,279</u>	<u>\$ 5,967,757</u>

NOTE 8 – PENSION PLANS (concluded)

Pension Plan Financial Statements (concluded)

Schedule of Changes in Fiduciary Net Position for the year ended September 30, 2020:

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
ADDITIONS			
Contributions:			
Employer:			
City	\$ -	\$ 124,352	\$ 124,352
Employee	4,884	754	5,638
On-behalf payments - State of Florida	-	28,570	28,570
Total contributions	4,884	153,676	158,560
Investment earnings:			
Interest and dividends	-	92,233	92,233
Net increase in the fair value of investments	107,691	129,978	237,669
Total investment earnings	107,691	222,211	329,902
Less investment expense	11,640	35,838	47,478
Net investment earnings	96,051	186,373	282,424
Total additions	100,935	340,049	440,984
DEDUCTIONS			
Benefits	45,917	258,098	304,015
Refund of contributions	74,320	-	74,320
Administrative expenses	-	21,647	21,647
Total deductions	120,237	279,745	399,982
CHANGE IN NET POSITION	(19,302)	60,304	41,002
NET POSITION, beginning of year	1,648,780	4,277,975	5,926,755
NET POSITION, end of year	\$ 1,629,478	\$ 4,338,279	\$ 5,967,757

NOTE 9 – OTHER EMPLOYEE BENEFIT PLANS

The City Manager has the option of participating in a separate deferred compensation plan or to participate in the general employees' pension plan. If the City Manager selects the deferred compensation plan, the City contributes 6% of the City Manager's salary and the City Manager is required to contribute a minimum of 1%. The current City Manager opted to participate in the general employees' pension plan, so no City contributions were made to a deferred compensation plan for the benefit of the City Manager.

The City also offers employees who have completed one year of continuous service an optional non-contributory deferred compensation plan created pursuant to Internal Revenue Code Section 457. Both plans are administered by third party custodians and the plans' assets are not considered part of the reporting entity and are not included in these financial statements.

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The City follows GASB Cod. Sec. P50 for certain post-employment health care and dental benefits provided by the City.

The City engaged an actuary to estimate the total other post-employment benefit (OPEB) obligation measured as of September 30, 2018 which resulted in an estimated actuarial determined OPEB obligation and OPEB expense that was immaterial and accordingly, there is no OPEB liability recorded in the financial statements. It is the intent of the City to engage an actuary to recalculate the total OPEB liability if there are significant changes in the City's staffing matrix or the health care benefits provided.

NOTE 11 – SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivables, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended September 30, 2020, is presented below:

	Water System	Sewer System	Total Water and Sewer System
Condensed statement of revenue, expenses and changes in net position:			
Operating revenues	\$ 643,104	\$ 776,818	\$ 1,419,922
Operating expenses			
Personnel services	(241,554)	(262,275)	(503,829)
Contract services	(125,189)	(74,616)	(199,805)
Insurance	(16,960)	(21,360)	(38,320)
Materials and supplies	(47,325)	(49,016)	(96,341)
Repair and maintenance	(68,229)	(59,231)	(127,460)
Utilities	(25,636)	(58,528)	(84,164)
Miscellaneous	(15,147)	(1,479)	(16,626)
Depreciation	(243,137)	(601,566)	(844,703)
Nonoperating revenues / (expenses)			
Interest expense	-	(68,363)	(68,363)
Impact fees	3,000	-	3,000
Grants	-	35,000	35,000
Investment revenue	9,042	-	9,042
Gain (loss) on disposal of property	1,421	-	1,421
Change in net position	\$ (126,610)	\$ (384,616)	\$ (511,226)
Summary information from statement of net position:			
Capital assets, net			\$ 12,524,792
Long-term debt, including current portion			\$ 2,611,032

NOTE 12 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the City.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2020, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

The City is under contract with the Polk County Sheriff's Office to provide law enforcement services to the City through the year ended September 30, 2021. The City is required to provide the Sheriff with adequate office space at the City's expense and the contract can be terminated by either party upon 365 days written notice. The City paid \$785,765 for the year ended September 30, 2020. The contract calls for the following minimum costs going forward:

Fiscal Year Ending September 30,	Annual Cost
2021	\$ 848,870

NOTE 14 – JOINT VENTURE

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by an interlocal agreement between the City of Frostproof, City of Auburndale, City of Bartow, City of Davenport, Town of Dundee, City of Eagle Lake, City of Fort Meade, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, Polk City, City of Winter Haven, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes.

These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that takes full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

NOTE 14 – JOINT VENTURE (concluded)

Membership fees - The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2020, the total annual working capital needs of the PRWC was \$198,000 of which the City's proportionate share was \$1,251.

Contact - Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

NOTE 15 – SUBSEQUENT EVENT

On March 16, 2021, the City entered into a loan agreement with FDEP to borrow \$78,500 under the State Revolving Funds loan program. The loan has a zero percent interest rate and includes a loan forgiveness grant provision of \$62,800. The loan forgiveness grant will be applied to the outstanding principal of the loan on the date the first payment is made which is scheduled for August 2021. The loan agreement requires 20 semi-annual payments of \$864 beginning in August 2021. The loan proceeds will be used for the design of wastewater system improvements.



City of Frostproof
The Friendly City

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FROSTPROOF, FLORIDA**Budgetary Comparison Schedule – General Fund
for the year ended September 30, 2020**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 888,960	\$ 915,000	\$ 915,497	\$ 497
Franchise and utility taxes	647,600	647,600	738,209	90,609
Licenses and permits	51,000	98,180	112,354	14,174
Intergovernmental revenue	825,700	790,700	707,692	(83,008)
Charges for services	365,380	397,530	390,141	(7,389)
Fines and forfeitures	7,700	7,700	22,554	14,854
Investment income	53,000	53,000	22,141	(30,859)
Other	94,500	94,500	105,607	11,107
Total revenues	<u>2,933,840</u>	<u>3,004,210</u>	<u>3,014,195</u>	<u>9,985</u>
EXPENDITURES				
General government	508,840	533,330	495,109	38,221
Public safety	1,226,340	1,258,860	1,199,745	59,115
Transportation	323,450	323,450	317,796	5,654
Culture	310,260	298,850	279,485	19,365
Community affairs	187,560	197,040	185,280	11,760
Capital outlay	668,000	1,181,990	165,185	1,016,805
Total expenditures	<u>3,224,450</u>	<u>3,793,520</u>	<u>2,642,600</u>	<u>1,150,920</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(290,610)</u>	<u>(789,310)</u>	<u>371,595</u>	<u>1,160,905</u>
Insurance proceeds	-	-	891	891
NET CHANGE IN FUND BALANCE	<u>\$ (290,610)</u>	<u>\$ (789,310)</u>	<u>\$ 372,486</u>	<u>\$ 1,161,796</u>

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND - The annual budget for the general fund is prepared in accordance with the modified accrual basis of accounting with exception of pension contributions by the Polk County Sheriff's Office to the Police Officers' Pension Trust Fund which are not budgeted as a revenue or expenditure as the contributions do not represent a cash flow to the City.

CITY OF FROSTPROOF, FLORIDA
**General Employees' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios
Required Supplementary Information**

Measurement date	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Reporting date	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Total pension liability				
Service cost	\$ 45,005	\$ 51,364	\$ 58,564	\$ 63,058
Interest	89,816	88,225	84,198	81,031
Change in assumptions	-	-	-	106,024
Change in benefit terms	-	-	3,238	-
Difference between expected and actual experience	(21,648)	(54,549)	(24,915)	(148,383)
Benefit payments, including refunds of employee contributions	(120,237)	(55,845)	(54,472)	(53,039)
Net change in total pension liability	(7,064)	29,195	66,613	48,691
Total pension liability, beginning	1,270,334	1,241,139	1,174,526	1,125,835
Total pension liability, ending (a)	\$ 1,263,270	\$ 1,270,334	\$ 1,241,139	\$ 1,174,526
Plan fiduciary net position				
Contributions - City	\$ -	\$ 16,324	\$ 30,815	\$ 35,973
Contributions - Employee	4,884	5,918	5,119	5,981
Net investment income (loss)	96,051	74,688	110,343	178,460
Benefit payments, including refunds of employee contributions	(120,237)	(55,845)	(54,472)	(53,039)
Administrative expenses	-	-	(7,975)	(7,075)
Net change in plan fiduciary net position	(19,302)	41,085	83,830	160,300
Plan fiduciary net position, beginning	1,648,780	1,607,695	1,523,865	1,363,565
Plan fiduciary net position, ending (b)	\$ 1,629,478	\$ 1,648,780	\$ 1,607,695	\$ 1,523,865
Net pension liability (asset) (a)-(b)	\$ (366,208)	\$ (378,446)	\$ (366,556)	\$ (349,339)
Plan fiduciary net position as a percentage of total pension liability	128.99%	129.79%	129.53%	129.74%
Covered employee payroll	\$ 454,066	\$ 515,265	\$ 564,733	\$ 620,486
Net pension liability as a percentage of covered employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Continued...

CITY OF FROSTPROOF, FLORIDA**General Employees' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios
(Concluded)****Required Supplementary Information**

Measurement date	9/30/2016	9/30/2015
Reporting date	9/30/2016	9/30/2015
Total pension liability		
Service cost	\$ 48,978	\$ 31,717
Interest	59,434	81,166
Change in assumptions	236,289	-
Change in benefit terms	-	-
Difference between expected and actual experience	106,809	(114,776)
Benefit payments, including refunds of employee contributions	(156,713)	(57,251)
Net change in total pension liability	294,797	(59,144)
Total pension liability, beginning	831,038	890,182
Total pension liability, ending (a)	\$ 1,125,835	\$ 831,038
Plan fiduciary net position		
Contributions - City	\$ 33,151	\$ 32,578
Contributions - Employee	5,521	5,394
Net investment income (loss)	100,567	(2,720)
Benefit payments, including refunds of employee contributions	(156,713)	(52,896)
Administrative expenses	(8,087)	(7,300)
Net change in plan fiduciary net position	(25,561)	(24,944)
Plan fiduciary net position, beginning	1,389,126	1,414,070
Plan fiduciary net position, ending (b)	\$ 1,363,565	\$ 1,389,126
Net pension liability (asset) (a)-(b)	\$ (237,730)	\$ (558,088)
Plan fiduciary net position as a percentage of total pension liability	121.12%	167.16%
Covered employee payroll	\$ 510,322	\$ 509,811
Net pension liability as a percentage of covered employee payroll	Not Applicable	Not Applicable

Additional information will be provided annually until ten years of data is presented.

CITY OF FROSTPROOF, FLORIDA

General Employees' Pension Trust Fund - Notes to the Schedule of Changes in Net Pension Liability and Related Ratios

Required Supplementary Information

Changes of Assumptions:

For measurement date September 30, 2017:

- The mortality rates were changed from a 2007 projection of the RP-2000 Mortality Table for annuitants to the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

For measurement date September 30, 2016:

- The discount rate was decreased from 9.08% to 7.00% per annum.

Changes in Benefit Terms:

For measurement date September 30, 2018:

- The Plan was amended to add a graded vesting schedule for those participants who have earned between five and ten years of vested service.

CITY OF FROSTPROOF, FLORIDA
**Police Officers' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios
Required Supplementary Information**

Measurement date	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Reporting date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total pension liability				
Service cost	\$ 13,135	\$ 11,966	\$ 11,009	\$ 10,689
Interest	338,970	331,768	320,312	310,266
Change in excess State money	-	-	-	-
Difference between expected and actual experience	(46,501)	26,080	(49,778)	100,093
Change of assumptions	(110,337)	118,271	112,600	132,130
Benefit payments, including refunds of employee contributions	(258,098)	(251,328)	(241,433)	(238,987)
Net change in total pension liability	(62,831)	236,757	161,710	314,191
Total pension liability, beginning	4,958,341	4,721,584	4,559,874	4,245,683
Total pension liability, ending (a)	<u>\$ 4,895,510</u>	<u>\$ 4,958,341</u>	<u>\$ 4,721,584</u>	<u>\$ 4,559,874</u>
Plan fiduciary net position				
Contributions - City	\$ 124,352	\$ 146,650	\$ 116,898	\$ 112,042
Contributions - State of Florida	28,570	27,130	25,010	23,803
Contributions - Employee	754	708	656	646
Contributions - Others	-	-	16,000	14,692
Net investment income (loss)	186,373	115,702	327,756	345,650
Benefit payments, including refunds of employee contributions	(258,098)	(251,328)	(241,433)	(238,987)
Administrative expenses	(21,647)	(26,054)	(18,776)	(21,771)
Net change in plan fiduciary net position	60,304	12,808	226,111	236,075
Plan fiduciary net position, beginning	4,277,975	4,265,167	4,039,056	3,802,981
Plan fiduciary net position, ending (b)	<u>\$ 4,338,279</u>	<u>\$ 4,277,975</u>	<u>\$ 4,265,167</u>	<u>\$ 4,039,056</u>
Net pension liability (asset) (a)-(b)	<u>\$ 557,231</u>	<u>\$ 680,366</u>	<u>\$ 456,417</u>	<u>\$ 520,818</u>
Plan fiduciary net position as a percentage of total pension liability	88.62%	86.28%	90.33%	88.58%
Covered employee payroll	\$ 75,436	\$ 70,847	\$ 65,605	\$ 64,601
Net pension liability as a percentage of covered employee payroll	738.68%	960.33%	695.70%	806.21%

Continued...

CITY OF FROSTPROOF, FLORIDA
Police Officers' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios (Concluded)
Required Supplementary Information

Measurement date	9/30/2016	9/30/2015	9/30/2014
Reporting date	9/30/2017	9/30/2016	9/30/2015
Total pension liability			
Service cost	\$ 21,940	\$ 20,535	\$ 28,891
Interest	305,548	307,105	292,750
Change in excess State money	(9,046)	-	-
Difference between expected and actual experience	47,532	(202,226)	-
Change of assumptions	(95,096)	-	-
Benefit payments, including refunds of employee contributions	(172,544)	(122,614)	(121,165)
Net change in total pension liability	98,334	2,800	200,476
Total pension liability, beginning	4,147,349	4,144,549	3,944,073
Total pension liability, ending (a)	<u>\$ 4,245,683</u>	<u>\$ 4,147,349</u>	<u>\$ 4,144,549</u>
Plan fiduciary net position			
Contributions - City	\$ 124,057	\$ 182,172	\$ 159,813
Contributions - State of Florida	21,765	22,367	24,244
Contributions - Employee	1,262	1,281	3,096
Contributions - Others	-	-	-
Net investment income (loss)	331,941	(108,445)	233,629
Benefit payments, including refunds of employee contributions	(172,543)	(122,614)	(121,165)
Administrative expenses	(22,547)	(19,737)	(32,810)
Net change in plan fiduciary net position	283,935	(44,976)	266,807
Plan fiduciary net position, beginning	3,519,046	3,564,022	3,297,215
Plan fiduciary net position, ending (b)	<u>\$ 3,802,981</u>	<u>\$ 3,519,046</u>	<u>\$ 3,564,022</u>
Net pension liability (asset) (a)-(b)	<u>\$ 442,702</u>	<u>\$ 628,303</u>	<u>\$ 580,527</u>
Plan fiduciary net position as a percentage of total pension liability	89.57%	84.85%	85.99%
Covered employee payroll	\$ 126,208	\$ 128,143	\$ 173,421
Net pension liability as a percentage of covered employee payroll	350.77%	490.31%	334.75%

Additional information will be provided annually until ten years of data is presented.

CITY OF FROSTPROOF, FLORIDA

**Police Officers' Pension Trust Fund - Notes to the Schedule of Changes in Net Pension Liability and Related Ratios
Required Supplementary Information**

Changes of Assumptions:

For measurement date September 30, 2020:

- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

For measurement date September 30, 2019:

- The investment rate of return was lowered from 7.2% to 7.0%.

For measurement date September 30, 2018:

- The investment rate of return was lowered from 7.4% to 7.2%.

For measurement date September 30, 2017:

- The investment rate of return was lowered from 7.5% to 7.4%.
- The inflation assumption was increased from 2.3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.
- The assumed rates of mortality were changed to match those used in the July 1, 2016 FRS valuation report.

For measurement date September 30, 2016:

- The inflation assumption was lowered from 3.0% to 2.3%, matching the long-term inflation assumption utilized by the Plan's investment consultant.
- The assumed rates of mortality were changed to match those used in the July 1, 2015 FRS valuation report.

CITY OF FROSTPROOF, FLORIDA**General Employees' Pension Trust Fund - Schedule of Contributions****Required Supplementary Information**

	(1)	(2)	(3)		Column (2)
Fiscal year end	Actuarially Determined Contribution	Contributions Recognized by the Plan	Difference between (1) and (2)	Covered Payroll	as a % of Covered Payroll
September 30, 2020	\$ 15,540	\$ -	\$ (15,540)	\$ 454,066	0.00%
September 30, 2019	27,457	16,324	(11,133)	515,265	3.17%
September 30, 2018	34,117	30,801	(3,316)	564,733	5.45%
September 30, 2017	40,788	35,973	(4,815)	620,486	5.80%
September 30, 2016	27,165	33,151	5,986	510,322	6.50%
September 30, 2015	8,576	32,578	24,002	509,811	6.39%
September 30, 2014	31,112	161,111	129,999	Not Available	Not Available
September 30, 2013	35,033	35,033	-	550,447	6.36%
September 30, 2012	34,473	34,473	-	Not Available	Not Available
September 30, 2011	34,882	34,882	-	447,774	7.79%

CITY OF FROSTPROOF, FLORIDA**General Employees' Pension Trust Fund - Notes to Schedule of Contributions****Required Supplementary Information**

Valuation date October 1, 2019

Actuarially determined contribution amounts are calculated as of October 1, which is one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Discount rate	7.00% per annum (2.77% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments
Salary increases:	5.50% per annum, plus average earnings are loaded by 2.50% to account for accumulated leave payments upon termination of employment
Cost-of-living assumption:	None assumed
Mortality basis:	Sex-distinct rates set forth in the RP-2000 Mortality Table, with full generational improvements in mortality using Scale BB.
Retirement:	20% of eligible participants are assumed to retire at age 62, 10% of eligible participants are assumed to retire at each of ages 63 and 64, and 100% of eligible participants are assumed to retire at 65.
Other decrements:	With respect to participants with less than seven years of service, termination rates are service-based and range from 8.70% with less than one year of service to 6.00% with between six and seven years of service; with respect to all other participants, termination rates are age-based and range from 5.40% at age 20 to 0.00% at age 60.
Non-investment expenses:	Projected benefit liability is loaded by 4.50% to account for anticipated administrative expenses.
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required.
Changes:	No assumption changes were made since the prior measurement date.

CITY OF FROSTPROOF, FLORIDA**Police Officers' Pension Trust Fund - Schedule of Contributions****Required Supplementary Information**

<u>Fiscal year end</u>	(1) Actuarially Determined Contribution	(2) Contributions Recognized by the Plan	(3) Difference between (1) and (2)	Covered Payroll	Column (2) as a % of Covered Payroll
September 30, 2020	\$ 165,168	\$ 152,922	\$ 12,246	\$ 75,436	202.72%
September 30, 2019	164,149	173,780	(9,631)	70,847	245.29%
September 30, 2018	149,988	157,908	(7,920)	65,605	240.70%
September 30, 2017	150,536	150,536	-	64,601	233.02%
September 30, 2016	154,869	154,869	-	126,208	122.71%
September 30, 2015	204,539	204,539	-	128,143	159.62%
September 30, 2014	190,052	190,052	-	173,421	109.59%

Additional information will be provided annually until ten years of data is presented.

CITY OF FROSTPROOF, FLORIDA**Police Officers' Pension Trust Fund - Notes to Schedule of Contributions
Required Supplementary Information**

Valuation date: October 1, 2018

Actuarially determined contribution amounts are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Funding method:	Entry age normal actuarial cost method. The following loads are applied: Interest - a half year, based on the current 7.2% assumption. Salary - a half year, based on the current 4.0% assumption.
Discount rate	7.20% per annum (2.50% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments
Salary increases:	4.0% per year up to the assumed retirement age. Also the projected salary at retirement is increased 10% to account for non-regular compensation.
Cost-of-living assumption:	2.5% per year.
Mortality basis:	Mortality rates are based on the RP-2000 mortality tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.
Retirement age:	Earlier of age 50 or the completion of 20 years of service. Also, any Member who has reached Normal Retirement is assumed to continue employment for an additional year.
Early retirement:	Commencing with the earliest Early Retirement Age (45), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Disability and Termination:	See table below. It is assumed that 75% of disablements and active Member deaths are service related.
Payroll growth:	0.00%
Changes:	The discount rate was changed from 7.4% in the October 1, 2017 valuation to 7.2% in the October 1, 2018 valuation.

Termination and disability rate table

Age	% Terminating during the year	% Becoming disabled during the year
20	17.20%	0.03%
30	15.00%	0.04%
40	8.20%	0.07%
50	1.70%	0.18%

CITY OF FROSTPROOF, FLORIDA**General Employees' Pension Trust Fund and Police Officers' Pension Trust Fund Schedule of Investment Returns
Required Supplementary Information**

General Employees' Pension Trust Fund:

<u>Fiscal year ended</u>	Annual money-weighted rate of return net of investment expenses
September 30, 2020	6.79%
September 30, 2019	5.38%
September 30, 2018	7.52%
September 30, 2017	13.40%
September 30, 2016	7.80%
September 30, 2015	0.60%
September 30, 2014	8.57%
September 30, 2013	12.00%
September 30, 2012	17.81%
September 30, 2011	1.87%

Police Officers' Pension Trust Fund:

<u>Fiscal year ended</u>	Annual money-weighted rate of return net of investment expenses
September 30, 2020	4.47%
September 30, 2019	2.78%
September 30, 2018	8.32%
September 30, 2017	9.35%
September 30, 2016	9.48%
September 30, 2015	-3.19%
September 30, 2014	6.74%

Additional information will be provided annually until ten years of data is presented.



(This page intentionally left blank)



City of Frostproof
The Friendly City

OTHER REPORTS

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

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, 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 the City of Frostproof, Florida (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

An Independent Member of the BDO Alliance USA

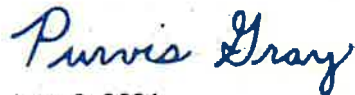
The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

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

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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.



June 3, 2021
Lakeland, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH FLORIDA STATUTE SECTION 218.415 - INVESTMENTS OF PUBLIC FUNDS

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

We have examined the City of Frostproof, Florida's (the City) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2020. City 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 on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2020.

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, the Honorable Mayor and Members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



June 3, 2021
Lakeland, Florida

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland
purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants
An Independent Member of the BDO Alliance USA

MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Frostproof, Florida (the City) as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 3, 2021.

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 Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 3, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings in the proceeding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City has disclosed this information in the notes 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 us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland
purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants
An Independent Member of the BDO Alliance USA

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, 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 for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

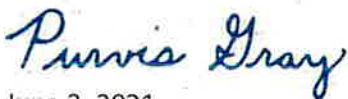
Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted the City was not in compliance with a minimum debt service coverage requirement on the City's Florida Department of Environmental Protection loan for the current year. This loan is subordinate to the water and wastewater revenue bonds which also contain a minimum debt coverage requirement. The minimum debt service coverage requirement on the revenue bonds was met for the current year.

Purpose of this Letter

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

We would like to take this opportunity to express our appreciation for the professionalism and courtesies which were extended to our staff. If you have any questions or comments about the contents of this letter, or the information accompanying this letter, please do not hesitate to contact us.



June 3, 2021
Lakeland, Florida



City of Frostproof
The Friendly City

OTHER INFORMATION

IMPACT FEE AFFIDAVIT

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

1. I am the Chief Financial Officer of the City of Frostproof which is a local governmental entity of the State of Florida;

The governing body of the City of Frostproof adopted Ordinances 2004-07 implementing an impact fee for General Government, 2004-08 implementing an impact fee for Water and 2004-09 implementing an impact fee for Wastewater; and

2. The City of Frostproof has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Melody Sauerhafer
Melody Sauerhafer, Chief Financial Officer

STATE OF FLORIDA
COUNTY OF POLK

SWORN TO AND SUBSCRIBED before me this 3rd day of June 2021.

Sharon A. Bass
NOTARY PUBLIC
Sharon A. Bass

Personally known ☒ or produced identification _____

Type of identification produced: _____

My Commission Expires:



**CITY OF FROSTPROOF'S EXPLANATION
TO MANAGEMENT LETTER**

Auditor General's Office
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

In response to the findings and recommendations in the Management Letter issued in accordance with the rules of the Auditor General – State of Florida by our auditors, Purvis Gray, Certified Public Accountants, we submit the following:

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding 20-01 – Debt Service Coverage for Subordinate Loans

Comments on Findings: The City agrees.

Actions Taken or Planned: The City contracted with CivilSurv to perform a water and wastewater rate study and the 10-year Water Use Permit Renewal, which will not reoccur next year. Staff will present the findings of the rate study to City Council for consideration of a rate increase.

Sincerely,


Melody Sauerhafer
Finance Manager

June 3, 2021
Frostproof, Florida

