



City of Frostproof
The Friendly City

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2014

City of Frostproof, Florida
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2014

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INTRODUCTORY SECTION



City of Frostproof, Florida

LIST OF PRINCIPAL OFFICIALS

September 30, 2014

City Council

Mayor

Anne Wardlaw Dickinson

Council Members

Diana Webster Biehl

Ralph C. Waters

Martha M. Neher

Louise Goddard

City Manager

Tenny R. Croley

City Attorney

Mark H. Smith

City Engineer

Steven A. Dutch

City Planner

Jennifer Codo-Salisbury

Finance Manager

Melody S. Walsh

City Clerk

Sarah J. Adelt

Fire Chief

Clifford O. Cofer

Building Official

Clifton Smith

Library Director

Melissa D. Hadden

Public Works Director

James R. Keene

Utility Manager

Sharon A. Bass

FINANCIAL SECTION





Turner A. Wiggins, C.P.A.
Donald J. Smit, C.P.A.
Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
and City Manager
City of 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, 2014, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, 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 the required supplementary information on pages C-1 through C-10 and F-1 through F-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the combining financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
Page Three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wiggins, Smit, Buelby, Reineke & Company, P.A.

June 12, 2015
Winter Haven, Florida

MANAGEMENT'S DISCUSSION & ANALYSIS



City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

The Management's Discussion and Analysis section provides an overview of the City of Frostproof's (the "City's") financial performance for the fiscal year ended September 30, 2014. Please consider this information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at September 30, 2014, by \$19,247,637 (net position). Of this amount, \$3,549,889 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased this year by \$26,703, or 0.14 percent.
- The City's governmental activities reported ending net position of \$7,891,512, a decrease of \$14,143 for the year.
- The City's business-type activities reported ending net position of \$11,356,125, an increase of \$40,846 for the year.
- The City's total debt at the end of the year showed a net decrease of \$194,096.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City of Frostproof's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The nature of the three components of the basic financial statements is described as follows:

Reporting the City as a Whole

Government-wide Financial Statements

The government-wide financial statements consist of two financial statements that address the financial position and results of operations of the City taken as a whole. These two financial statements are the Statement of Net Position and the Statement of Activities. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Government-wide Financial Statements (Cont'd)

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.

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. These activities of the City include general government, public safety, transportation (streets), culture (library, City Hall auditorium, etc.), and community affairs (recreations and parks). Property taxes, franchise and utility taxes, and intergovernmental revenues finance most of these activities.
- **Business-type activities** - This category of the government-wide financial statements includes those activities which the City charges a fee to customers to cover all or most of the cost of the services the City provides. These business-type activities consist of water, wastewater treatment, sanitation, and stormwater services.

The government-wide financial statements 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 also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City are divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds - Governmental funds 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.

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 those 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.

Reconciliation schedules within these fund financial statements provide the differences between the modified accrual basis of accounting used in these governmental fund financial statements and the full accrual basis of accounting used in the government-wide financial statements.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Fund Financial Statements-Governmental funds (Cont'd)

The City has 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 in a separate column on the governmental fund financial statements. All of the other governmental funds of the City are reported collectively as other governmental funds and consolidate 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 to demonstrate compliance with the budget.

The governmental fund financial statements are immediately following the government-wide financial statements. The budgetary comparison schedule for the General Fund is outside of 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 only 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:

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 pensions trust funds and the City's obligation for other postemployment benefits.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Other Information (Cont'd)

Other supplementary information - This section of the report includes detailed combining financial information for each of the various funds of the City that were aggregated into consolidated columns within the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - Net position may serve as a useful indicator over time of a government's financial position. In the current year, the City's combined net position as of September 30, 2014 was \$19,247,637. The City's combined revenues, including contributions, grants, taxes and charges for services were \$4,387,235. Total city-wide expenses were \$4,360,529. The increase to city-wide net position was \$26,706. The following schedule is the condensed Statement of Net Position for the current and the prior years. For more detailed information see the Statement of Net Position on page D-1.

Statement of Net Position (Summary)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,319,722	\$ 3,277,729	\$ 1,987,961	\$ 2,998,134	\$ 5,307,683	\$ 6,275,863
Capital assets	4,708,506	4,933,459	14,274,197	13,394,690	18,982,703	18,328,149
Total assets	8,028,228	8,211,188	16,262,158	16,392,824	24,290,386	24,604,012
Current liabilities	84,498	259,354	434,030	409,312	518,528	668,666
Non-current liabilities	52,218	46,179	4,472,003	4,668,236	4,524,221	4,714,415
Total liabilities	136,716	305,533	4,906,033	5,077,548	5,042,749	5,383,081
Net Position:						
Invested in capital assets, net of related debt	4,708,506	4,933,460	9,520,785	8,495,369	14,229,291	13,428,829
Restricted	912,412	722,774	556,045	1,858,503	1,468,457	2,581,277
Unrestricted	2,270,594	2,249,421	1,279,295	961,404	3,549,889	3,210,825
Total net position	\$ 7,891,512	\$ 7,905,655	\$ 11,356,125	\$ 11,315,276	\$ 19,247,637	\$ 19,220,931

Net Position - Invested in Capital Assets - The largest portion of the City's net position, 73.93%, reflects its investments in capital assets (e.g., land, buildings, equipment and infrastructure), less any 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 7.96% of total net position, are subject to external restrictions on how they may be used.

Net Position - Unrestricted - Unrestricted net position comprises 18.12% of total net position and may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2014, the City is able to report positive balances in all three categories of net position, for the City as a whole.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Statement of Activities - Revenues and expenses are presented in the following table which reflects the condensed Statement of Activities for the current and the prior years. For more detailed information see the Statement of Activities on page D-2.

Statement of Activities (Summary)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 392,636	\$ 379,178	\$ 1,699,064	\$ 1,735,127	\$ 2,091,700	\$ 2,114,305
Operating grants/contrib.	238,600	239,967	-	-	238,600	239,967
Capital grants/contrib.	103,847	222,385	152,424	1,383,821	256,271	1,606,206
General revenues:						
Property taxes	873,121	870,032	-	-	873,121	870,032
Franchise and utility taxes	621,806	573,162	-	-	621,806	573,162
Intergovernmental revenues, unrestricted	271,887	261,897	-	-	271,887	261,897
Impact fees	1,908	-	2,400	-	4,308	-
Investment earnings, unrestricted	9,946	24,247	7,161	1,120	17,107	25,367
Other revenues	12,435	12,388	-	-	12,435	12,388
Total revenues	2,526,186	2,583,256	1,861,049	3,120,068	4,387,235	5,703,324
Expenses:						
General government	536,026	512,254	-	-	536,026	512,254
Public safety	1,208,437	1,189,569	-	-	1,208,437	1,189,569
Transportation	421,248	427,833	-	-	421,248	427,833
Culture	258,951	269,171	-	-	258,951	269,171
Community affairs	115,667	101,807	-	-	115,667	101,807
Water and wastewater treatment	-	-	1,433,045	1,363,887	1,433,045	1,363,887
Sanitation	-	-	319,371	351,034	319,371	351,034
Stormwater	-	-	67,784	55,596	67,784	55,596
Total expenses	2,540,329	2,500,634	1,820,200	1,770,517	4,360,529	4,271,151
Change in net position before transfers	(14,143)	82,622	40,849	1,349,551	26,706	1,432,173
Transfers	-	(1,500,000)	-	1,500,000	-	-
Change in net position	(14,143)	(1,417,378)	40,849	2,849,551	26,706	1,432,173
Net position - Beginning	7,905,655	9,323,033	11,315,276	8,689,120	19,220,931	18,012,153
Restatement - GASB 65	-	-	-	(223,395)	-	(223,395)
Net position - Restated	7,905,655	9,323,033	11,315,276	8,465,725	19,220,931	17,788,758
Net position - Ending	\$ 7,891,512	\$ 7,905,655	\$ 11,356,125	\$ 11,315,276	\$ 19,247,637	\$ 19,220,931

Governmental Activities - Governmental activities decreased the City's net position by \$14,143, as compared to a decrease of \$1,417,378 for the prior year. In the prior year, the decline was primarily due to the transfer of \$1,500,000 to Business-type activities.

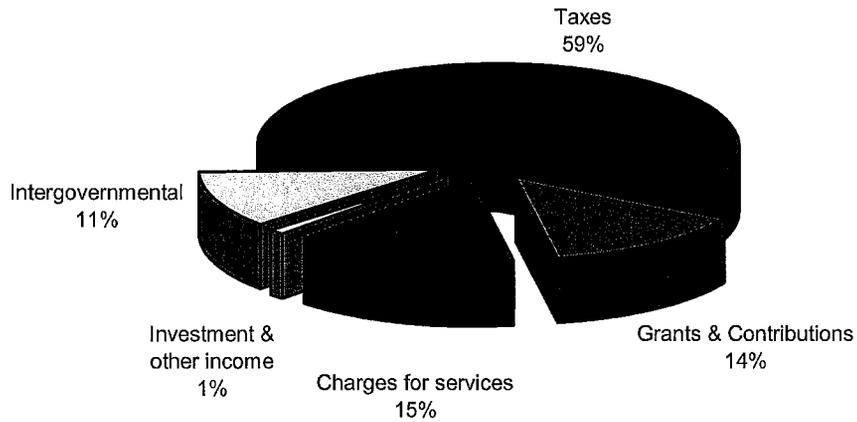
Business-type Activities - Business-type activities increased the City's net position by \$40,849, as compared to an increase of \$2,849,554 for the previous year. The increase in the prior year was due to a transfer of \$1,500,000 from Governmental activities and contributions from a capital grant.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

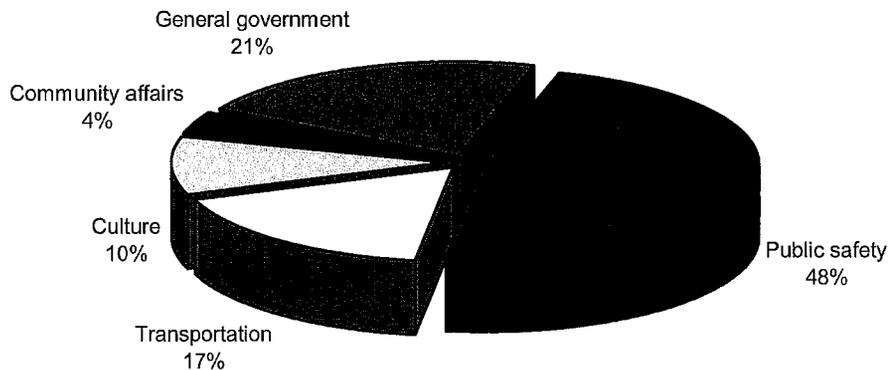
The following pie chart illustrates revenues of governmental activities by source for the year ended September 30, 2014. Taxes, which include property, franchise and utility taxes, comprise 59% of the revenues in the City's governmental activities. Taxes increased \$51,733 from the prior year.

Revenues by Source - Governmental Activities



The following pie chart illustrates expenses of governmental activities for the year ended September 30, 2014. Public safety is the largest expense and comprises 48% of the expenses in the City's governmental activities. This department increased by \$18,868 from the prior year.

Expenses - Governmental Activities

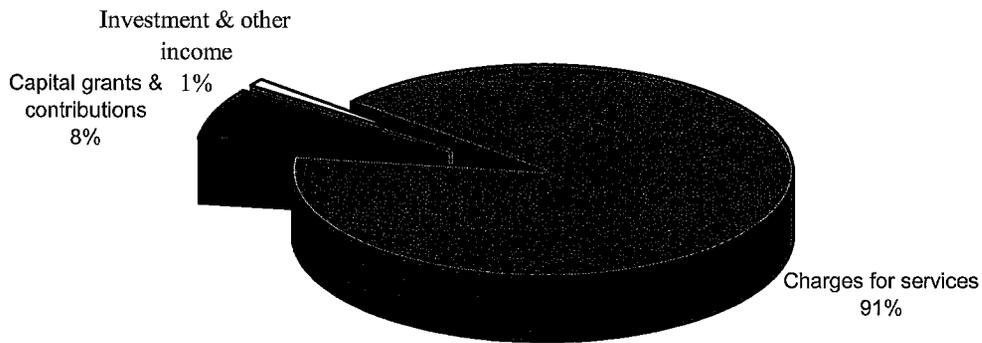


City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

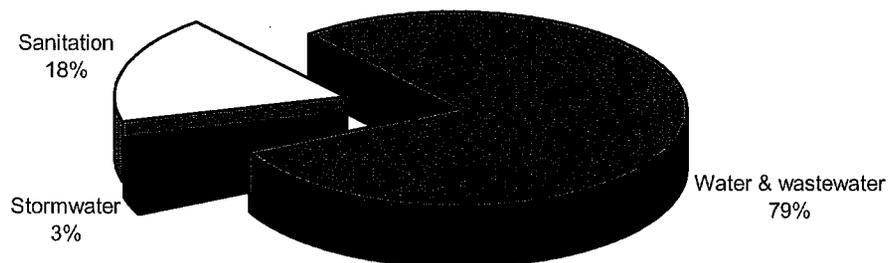
The following pie chart illustrates revenues of business-type activities by source for the year ended September 30, 2014. Charges for services comprise 91% of the revenues in the City's business-type activities. Charges for services decreased by \$36,063 from the prior year.

Revenues by Source - Business -Type Activities



The following pie chart illustrates expenses of business-type activities for the year ended September 30, 2014. The water and wastewater system accounts for 79% of the expenses in the City's business-type activities. Water and wastewater system expenses increased by \$69,158 from the prior year.

Expenses - Business -Type Activities



City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

FINANCIAL ANALYSIS OF THE CITY'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 fund financial statements for the governmental funds are provided on pages D-3 to D-6 of this report. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 and its ability to withstand financial emergencies that may occur in the future.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balance of \$3,133,562, of which \$2,098,105 represented unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$1,035,457, is nonspendable, restricted, committed or assigned as indicated and not available for new spending. Total fund balance in the prior year was \$2,965,835, of which \$2,162,522 represented unassigned fund balance.

The City maintains one separate governmental fund classified as a major fund - the General Fund. Two other funds are reported collectively as other governmental funds. The General Fund is the chief operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

At the end of the year, the unassigned fund balance of the General Fund decreased by \$66,742 to \$2,104,666, while total fund balance increased by \$166,171 to \$3,133,393.

Proprietary Funds - The City's proprietary fund, the Enterprise Fund, provides the same type of information found in the government-wide financial statements, but in more detail. The fund financial statements for the proprietary fund are provided on pages D-7 to D-10 of this report.

Factors concerning the finances of the proprietary fund have been addressed in the discussion of the City's business-type activities.

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 on pages D-11 to D-12 of this report.

BUDGETARY HIGHLIGHTS

The General Fund's budgetary comparison schedule is presented in this report on page F-1. The City revised its original budget on November 17, 2014 to reflect changes in expenditures due to unforeseen circumstances. These changes reflect allocations between departments and do not change the total budget amount.

The General Fund exceeded its budget appropriations in public safety due to an increase in required contributions to the police pension fund.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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, 2014 amounted to \$18,982,703, net of accumulated depreciation. This investment includes land, buildings, improvements, vehicles, equipment, furnishings, water and wastewater treatment system and stormwater system. This amount represents a net increase of \$654,552 or 3.4 % over last year.

The following table provides a comparative summary of net capital assets by category for both governmental and business-type activities.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 167,836	\$ 167,836	\$ 69,371	\$ 69,371	\$ 237,207	\$ 237,207
Buildings	2,582,405	2,698,188	-	-	2,582,405	2,698,188
Intangible assets	-	-	105,300	105,300	105,300	105,300
Idle assets	-	-	216,937	216,937	216,937	216,937
Improvements other than buildings	810,795	865,594	-	-	810,795	865,594
Machinery and equipment	632,667	663,462	259,791	283,691	892,458	947,153
Infrastructure	514,803	538,379	-	-	514,803	538,379
Water and sewer system	-	-	11,857,894	10,594,656	11,857,894	10,594,656
Stormwater system	-	-	627,219	565,122	627,219	565,122
Construction in progress	-	-	1,137,685	1,559,613	1,137,685	1,559,613
Total net assets	<u>\$ 4,708,506</u>	<u>\$ 4,933,459</u>	<u>\$ 14,274,197</u>	<u>\$ 13,394,690</u>	<u>\$ 18,982,703</u>	<u>\$ 18,328,149</u>

With the implementation of GASB Statement No. 34 the City began capitalizing infrastructure assets prospectively and elected not to retroactively capitalize these assets.

Major capital asset events during the current fiscal year included the following:

- Water Main Loop Project
- City-wide Water Meter Replacement Project
- Expansion of Wastewater Treatment Plant

The City has entered into a commitment for engineering and construction services related to the water main looping project. These fees amount to \$1,435,300 in total, with \$1,148,273 expended to date and \$287,027 to be expended next year.

Additional information on the City's capital assets can be found in Note 3-B on pages E-14 to E-15 of this report.

Debt Administration

At the end of the current fiscal year, the City had total debt outstanding in the amount of \$4,449,994 in bonds and loans payable. The following table provides a comparative summary of the City's outstanding debt.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION (Cont'd)

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue bonds payable, net	\$ -	\$ -	\$ 1,448,221	\$ 1,517,462	\$ 1,448,221	\$ 1,517,462
Loans payable	-	-	3,001,773	3,126,629	3,001,773	3,126,629
Total debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,449,994</u>	<u>\$ 4,644,091</u>	<u>\$ 4,449,994</u>	<u>\$ 4,644,091</u>

Debt retired on loans payable totaled \$194,097.

Additional information on the City's debt can be found in Notes 3-E and 3-F on pages E-16 to E-19 of this report.

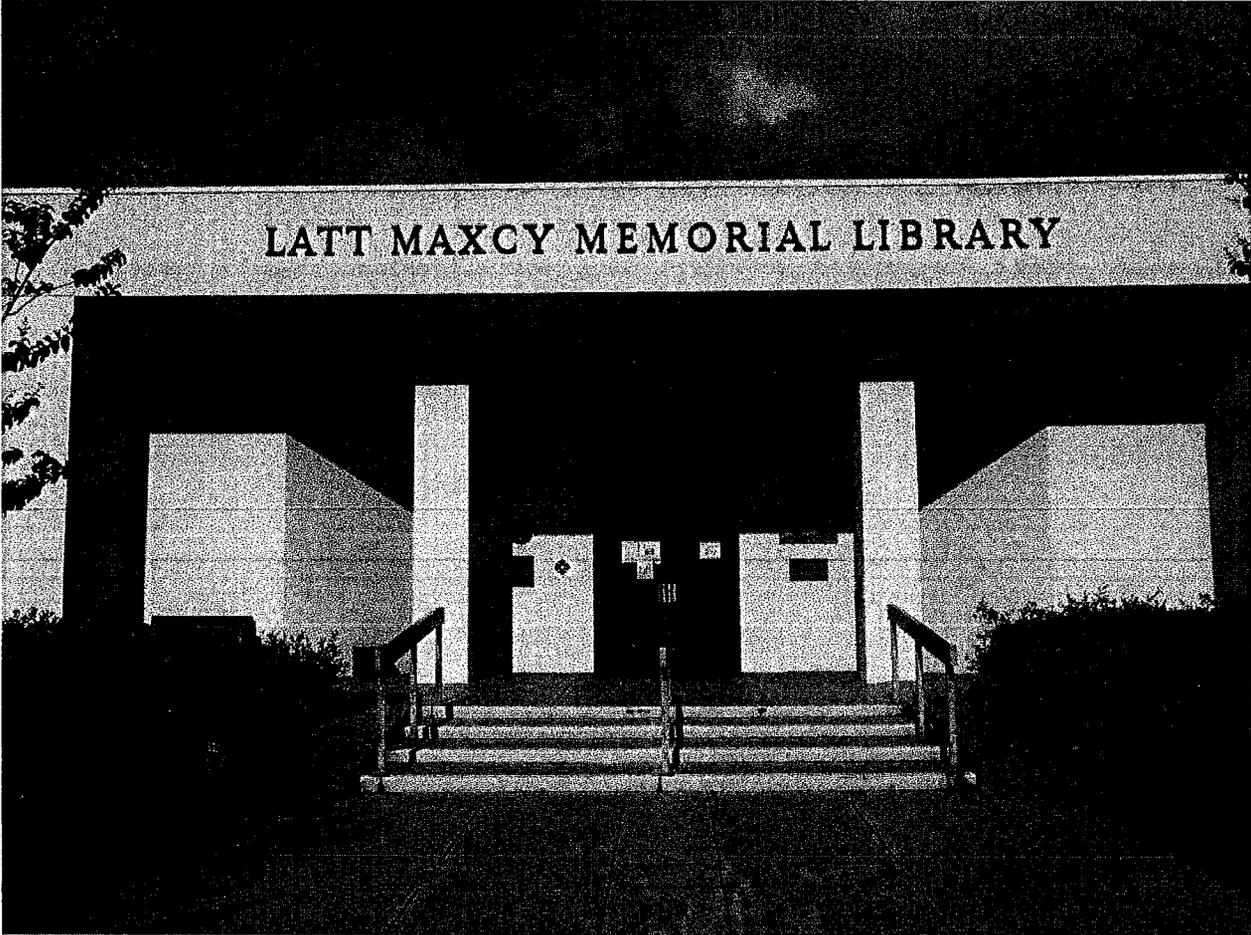
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In 2006 the City contracted with the Polk County Sheriff's Office to provide law enforcement services which has resulted in a reduction in expenses since that date. In May 2014, the contract was amended to extend services through September 30, 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City's Finance Manager at the Frostproof City Hall, 111 West First Street, Frostproof, Florida.

BASIC FINANCIAL STATEMENTS



City of Frostproof, Florida
STATEMENT OF NET POSITION
September 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,764,513	\$ 1,522,714	\$ 3,287,227
Investments	373,053	-	373,053
Receivables, current:			
Customer accounts, net	-	138,448	138,448
Franchise and utility service taxes	49,862	-	49,862
Intergovernmental	118,222	15,565	133,787
Notes receivable	9,400	-	9,400
Restricted cash and cash equivalents	912,410	273,497	1,185,907
Net pension asset/advance contributions	92,262	37,737	129,999
Capital assets:			
Nondepreciable	167,836	1,529,293	1,697,129
Depreciable, net	4,540,670	12,744,904	17,285,574
Total assets	<u>8,028,228</u>	<u>16,262,158</u>	<u>24,290,386</u>
LIABILITIES			
Accounts payable	26,684	354,837	381,521
Accrued wages	28,710	10,015	38,725
Liabilities payable from restricted assets:			
Customer deposits	-	49,625	49,625
Interest payable	-	19,553	19,553
Due to pension trust fund	5,211	-	5,211
Unearned revenue	23,893	-	23,893
Noncurrent liabilities:			
Due within one year	52,218	222,527	274,745
Due in more than one year	-	4,249,476	4,249,476
Total liabilities	<u>136,716</u>	<u>4,906,033</u>	<u>5,042,749</u>
NET POSITION			
Invested in capital assets, net of related debt	4,708,506	9,520,785	14,229,291
Restricted for:			
Debt service	-	131,982	131,982
Capital improvements	784,081	424,063	1,208,144
Public safety	128,331	-	128,331
Unrestricted	2,270,594	1,279,295	3,549,889
Total net position	<u>\$ 7,891,512</u>	<u>\$ 11,356,125</u>	<u>\$ 19,247,637</u>

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

City of Frostproof, Florida

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 536,026	\$ 58,969	\$ 7,500	\$ -	\$ (469,557)	\$ -	\$ (469,557)
Public safety	1,208,437	290,282	25,294	3,712	(889,149)	-	(889,149)
Transportation	421,248	31,109	167,456	96,158	(126,525)	-	(126,525)
Culture	258,951	12,276	38,350	3,977	(204,348)	-	(204,348)
Community affairs	115,667	-	-	-	(115,667)	-	(115,667)
Total governmental activities	<u>2,540,329</u>	<u>392,636</u>	<u>238,600</u>	<u>103,847</u>	<u>(1,805,246)</u>	<u>-</u>	<u>(1,805,246)</u>
Business-type Activities:							
Water and wastewater treatment	1,433,045	1,289,575	-	152,424	-	8,954	8,954
Sanitation	319,371	359,083	-	-	-	39,712	39,712
Stormwater	67,784	50,406	-	-	-	(17,378)	(17,378)
Total business-type activities	<u>1,820,200</u>	<u>1,699,064</u>	<u>-</u>	<u>152,424</u>	<u>-</u>	<u>31,288</u>	<u>31,288</u>
Total government	<u>\$ 4,360,529</u>	<u>\$ 2,091,700</u>	<u>\$ 238,600</u>	<u>\$ 256,271</u>	<u>(1,805,246)</u>	<u>31,288</u>	<u>(1,773,958)</u>
General Revenues:							
Property taxes					873,121	-	873,121
Franchise and utility taxes					621,806	-	621,806
Intergovernmental revenues, unrestricted					271,887	-	271,887
Impact fees					1,908	2,400	4,308
Investment earnings, unrestricted					9,946	7,161	17,107
Miscellaneous					12,435	-	12,435
Total general revenues					<u>1,791,103</u>	<u>9,561</u>	<u>1,800,664</u>
Change in Net Position					(14,143)	40,849	26,706
Net position, Beginning of Year					7,905,655	11,315,276	19,220,931
Net position, End of Year					<u>\$ 7,891,512</u>	<u>\$ 11,356,125</u>	<u>\$ 19,247,637</u>

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

City of Frostproof, Florida

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,757,514	\$ 6,999	\$ 1,764,513
Investments	373,053	-	373,053
Receivables, current:			
Franchise and utility service taxes	49,862	-	49,862
Intergovernmental	118,222	-	118,222
Notes receivable	9,400	-	9,400
Advances to other funds	6,430	-	6,430
Restricted assets:			
Cash and cash equivalents	912,410	-	912,410
Total assets	\$ 3,226,891	\$ 6,999	\$ 3,233,890
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 26,284	\$ 400	\$ 26,684
Accrued wages	28,710	-	28,710
Advances from other funds	-	6,430	6,430
Due to pension funds	5,208	-	5,208
Unearned revenue	33,296	-	33,296
Total liabilities	93,498	6,830	100,328
 Fund Balances:			
Nonspendable:			
Advances to other funds	6,430	-	6,430
Restricted for:			
Cultural activities	-	6,730	6,730
Public safety	128,331	-	128,331
Capital improvements	84,908	-	84,908
Transportation improvements	699,173	-	699,173
Committed for:			
City Centennial	4,000	-	4,000
Community Center improvements	48,000	-	48,000
Public safety	8,133	-	8,133
Assigned to:			
Capital improvements	49,752	-	49,752
Unassigned	2,104,666	(6,561)	2,098,105
Total fund balances	3,133,393	169	3,133,562
Total liabilities and fund balances	\$ 3,226,891	\$ 6,999	\$ 3,233,890

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

City of Frostproof, Florida
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2014

Fund Balances - Total Governmental Funds	\$ 3,133,562
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.</p>	4,708,506
<p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:</p>	
Revenues collected more than 30 days from year end	9,400
Net pension obligation, overfunded, and advance contributions	92,262
<p>Certain long-term liabilities, including certain accounts payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.</p>	
Accrued compensated absences	(52,218)
Net position of governmental activities	\$ 7,891,512

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

City of Frostproof, Florida
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 873,121	\$ -	\$ 873,121
Franchise and utility taxes	621,806	-	621,806
Licenses and permits	60,385	-	60,385
Intergovernmental	609,307	-	609,307
Charges for services	309,572	5,990	315,562
Fines and fees	3,377	-	3,377
Investment income	9,938	8	9,946
Other	<u>27,985</u>	<u>3,977</u>	<u>31,962</u>
Total revenues	<u>2,515,491</u>	<u>9,975</u>	<u>2,525,466</u>
EXPENDITURES			
Current:			
General government	451,272	-	451,272
Public safety	1,198,599	-	1,198,599
Transportation	373,585	-	373,585
Culture	185,823	4,594	190,417
Community affairs	66,008	-	66,008
Capital outlay	<u>74,033</u>	<u>3,825</u>	<u>77,858</u>
Total expenditures	<u>2,349,320</u>	<u>8,419</u>	<u>2,357,739</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	166,171	1,556	167,727
Fund Balances (Deficit), Beginning of Year			
	<u>2,967,222</u>	<u>(1,387)</u>	<u>2,965,835</u>
Fund Balances, End of Year			
	<u>\$ 3,133,393</u>	<u>\$ 169</u>	<u>\$ 3,133,562</u>

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

City of Frostproof, Florida
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 167,727
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
The amount of capital assets recorded in the current period	77,858
The depreciation expense for the current period	(297,962)
Revenues included in the government-wide statement of activities not reported in the current year as revenues in the statement of revenues, expenses and changes in fund balance-governmental funds	
	720
Pension contributions were less than the annual pension cost and therefore, decreased the net pension asset/advance contributions in the Statement of Activities	
	(20,156)
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 governmental funds:	
Loss on disposition of capital assets	(4,849)
Change in accrued compensated absences	(6,039)
Police pension expense reported in the statement of revenues, expenses and changes in fund balance-governmental funds in the current year reported in the prior year in the government-wide statement of activities	
	<u>68,558</u>
Change in net position of governmental activities	<u>\$ (14,143)</u>

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

City of Frostproof, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,522,714
Receivables:	
Customers, net	138,448
Intergovernmental	15,565
Restricted cash and cash equivalents	107,370
Total current assets	1,784,097
Noncurrent assets:	
Restricted cash and cash equivalents	166,127
Capital assets, net of accumulated depreciation	14,274,197
Net pension asset/advance contributions	37,737
Total noncurrent assets	14,478,061
Total assets	16,262,158
LIABILITIES	
Current liabilities:	
Accounts payable	354,837
Accrued wages	10,015
Liabilities payable from restricted assets:	
Customer deposits	49,625
Interest payable	19,553
Compensated absences	22,009
Bonds and notes payable - Current portion	200,518
Total current liabilities	656,557
Noncurrent liabilities:	
Revenue bonds	1,376,845
Notes payable	2,872,631
Total noncurrent liabilities	4,249,476
Total liabilities	4,906,033
NET POSITION	
Invested in capital assets, net of related debt	9,520,785
Restricted:	
Debt service	131,982
Capital improvements	424,063
Unrestricted	1,279,295
Total net position	\$ 11,356,125

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

City of Frostproof, Florida
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Enterprise Fund
Operating Revenues:	
Charges for services:	
Water and wastewater (Pledged as security for revenue bonds)	\$ 1,289,575
Stormwater	50,406
Assessment and franchise fees - Sanitation	359,083
Total operating revenues	1,699,064
Operating Expenses:	
Personal services	255,476
Contract services	79,853
Depreciation and amortization	679,515
Insurance	43,236
Materials and supplies	68,977
Repairs and maintenance	142,858
Sanitation fees	283,112
Utilities	94,926
Miscellaneous	21,245
Total operating expenses	1,669,198
Operating Income (Loss)	29,866
Non-Operating Revenues (Expenses):	
Investment revenue	7,161
Interest expense	(151,002)
Total non-operating revenues (expenses)	(143,841)
Income (loss) before contributions	(113,975)
Capital Grants	152,424
Capital Contributions	2,400
Change in net position	40,849
Net Position, Beginning of Year	11,315,276
Net Position, End of Year	\$ 11,356,125

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

City of Frostproof, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,690,417
Payments to suppliers for goods and services	(824,438)
Payments to employees for services	<u>(275,844)</u>
Net cash provided (used) by operating activities	<u>590,135</u>
 Cash Flows From Capital and Related Financing Activities:	
Proceeds from capital contributions	2,400
Proceeds from capital grants	1,073,061
Principal payments on long-term debt	(194,097)
Interest paid on capital debt	(151,965)
Acquisition and construction of capital assets	<u>(1,539,576)</u>
Net cash provided (used) by capital and related financing activities	<u>(810,177)</u>
 Cash Flows From Investing Activities:	
Investment revenue	<u>7,161</u>
Net cash provided (used) by investing activities	<u>7,161</u>
Net increase (decrease) in cash and cash equivalents	(212,881)
 Cash and cash equivalents, Beginning of Year	<u>2,009,092</u>
Cash and cash equivalents, End of Year	<u>\$ 1,796,211</u>
 Reconciliation of cash and cash equivalents:	
Current Assets:	
Cash	\$ 1,522,714
Restricted cash	107,370
Noncurrent Assets:	
Restricted cash	<u>166,127</u>
Total cash and cash equivalents at year end	<u>\$ 1,796,211</u>

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

City of Frostproof, Florida
STATEMENT OF CASH FLOWS (Cont'd)
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income	\$ 29,866
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	679,515
Bad debts, net of recoveries	4,806
Change in assets and liabilities:	
(Increase) Decrease in accounts receivable	(10,337)
(Increase) Decrease in net pension asset/contribution	(17,814)
(Increase) Decrease in accounts payable	4,964
(Increase) Decrease in due to other fund	(100,000)
(Increase) Decrease in compensated absences payable	(2,135)
(Increase) Decrease in accrued wages	(419)
(Increase) Decrease in customer deposits	<u>1,690</u>
Net cash provided by operating activities	<u>\$ 590,136</u>

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

City of Frostproof, Florida
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014

	<u>Pension Trust Funds</u>
ASSETS	
Investments	\$ 4,936,872
Receivables:	
Due from the City	5,208
Due from other governments	24,586
Accrued interest and dividends	<u>11,426</u>
Total assets	<u>4,978,092</u>
 LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
 NET POSITION	
Restricted for pension benefits	<u>\$ 4,978,092</u>

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

City of Frostproof, Florida
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2014

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer:	
City	\$ 157,789
Other	32,034
Employee	8,098
On-behalf payments - State of Florida	24,244
Total contributions	222,165
Net investment income:	
Investment income	360,038
Total investment income	360,038
Less investment advisor fee	16,479
Net investment income	343,559
Total additions, net	565,724
DEDUCTIONS	
Benefits paid	171,575
Lump sum payments, former plan members	61,668
Administrative expense	32,810
Total deductions	266,053
Change in net position	299,671
Net Position, Beginning of Year	4,678,421
Net Position, End of Year	\$ 4,978,092

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

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Frostproof, Florida (the "City") is a political subdivision of the State of Florida created by 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 City operates under a Council-Manager form of government and provides general municipal services to the citizens of the City of Frostproof. These services include police and fire protection, parks and recreation, library, transportation and general administrative services. Police protection is currently subcontracted out to the Polk County Sheriff's Office. The City also operates water, wastewater treatment, sanitation and stormwater utility systems. Currently, a board of five elected Council members governs the City.

The financial statements of the City are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

B. Reporting Entity

The City's basic financial statements include the accounts of all City operations and any "legally separate" entities ("component units") required by generally accepted accounting principles (GAAP) to be included in the reporting entity.

The financial statements of the primary government are required to include those "legally separate" entities, referred to as component units, which meet the criteria for inclusion in the reporting entity by virtue of the significance of their operational or financial relationships with the City.

In applying these criteria, management has determined that there are no component units to be included within the City's reporting entity.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The City's basic financial statements consist of both government-wide statements (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

The government-wide statements report information on all the activities of the City with the exception of fiduciary (employee pension trust) activities which are excluded because their resources are not available to support the City's programs.

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

The City's police and fire protection, transportation, library, community affairs (recreation and parks) and general administrative services are classified as governmental activities. The City's water, wastewater treatment, sanitation and stormwater services are classified as business-type activities.

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government-wide Statement of Net Position presents both the governmental and business-type activities in separate consolidated columns. This statement recognizes all long-term assets (capital assets) and receivables as well as long-term debt and obligations of the City. The City's net position is reported in three parts: (1) invested in capital assets, net of related debt, (2) restricted net position, and (3) unrestricted net position.

The government-wide Statement of Activities presents the gross and net cost of each of the City's primary activities. Gross expenses, which include depreciation, are expenses clearly identifiable with each specific activity. Program revenues are those revenues directly derived from each activity, such as charges to customers who directly benefit from services provided by the activity, or grants and contributions restricted for use by a specific activity. Taxes and other revenue items not properly included as program revenues are reported as general revenues.

Fund Financial Statements:

These financial statements are organized into funds, each of which is considered to be a separate accounting entity with a self-balancing set of accounts. Separate statements are presented for governmental and proprietary activities. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. The criteria for a major fund are based on each fund's assets, liabilities, revenues and expenditures/expenses in relationship to all the funds of the City. The City's major funds are the General Fund and the Enterprise Fund.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 30 days after year end. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is utilized by all proprietary and fiduciary funds.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Fund Financial Statements (Cont'd)

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

Governmental Funds:

Governmental funds are used to account for all or most of a government's general activities. The City's major governmental fund follows:

General Fund - The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

The other governmental funds of the City are considered non-major and are described as follows:

Special Revenue Funds - Special Revenue Funds are used to account for revenue sources that are usually restricted by law, regulation, or administrative action.

Proprietary Funds:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The City's proprietary fund is as follows:

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water, wastewater treatment, sanitation and stormwater services to the general public on a continuing basis are financed through user charges.

Fiduciary Funds:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or on behalf of other funds within the government. The City's fiduciary funds are as follows:

Pension Trust Funds - Pension Trust Funds are used to account for the activities of the City's police and general employee retirement systems.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash, Cash Equivalents and Investments

The City's cash and cash equivalents include all cash on hand, demand and time deposits. For the purpose of the Statement of Cash Flows for the proprietary funds, the City includes all cash on hand, demand deposits, and time deposits with an original maturity of three months or less.

Investments, including those of the pension trust funds, are stated at fair value, which is either a quoted market price or the best available estimate.

2. 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, and 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. At year end this allowance amounted to \$1,227 in the business-type activities.

Notes receivable represent amounts due on the purchase of cemetery lots.

3. Due From/Due To or Advances From/Advances To

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 accounts of the fund until liquidated. Any remaining balances are reported in the government-wide statements as "internal balances".

4. Inventories, Prepaid Items and Other Assets

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.

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

The City has accumulated a surplus in its net pension obligations by funding more than the required retirement contributions in prior years. This asset is recorded in the proprietary funds and the government-wide financial statements.

5. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (\$5,000 for infrastructure assets), and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (Cont'd)

5. Capital Assets (Cont'd)

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 fixed assets are valued at their estimated fair market value on the date received.

With the implementation of GASB Statement No. 34 the City began capitalizing infrastructure assets prospectively. However, at this time the City has elected not to retroactively capitalize infrastructure assets.

Depreciation 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. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is 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

6. Unearned Revenue

In the governmental funds, revenue cannot be recognized until it has been earned and it becomes available to finance expenditures of the current period. In the proprietary funds and for the governmental activities in the government-wide statements, revenue is reported for unearned revenue, regardless of its availability.

7. Compensated Absences

The City allows employees to accumulate vacation and sick time up to certain limits and to be compensated for this time upon termination of employment. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

8. Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources is recorded as a liability in the government-wide statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest is reported as expenditures. The accounting for proprietary fund debt is the same in the fund statements as it is in the government-wide statements.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (Cont'd)

9. Equity Classifications

Government-Wide Statements and Proprietary Fund - Equity is classified as net position and displayed in three components:

Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to these capital assets.

Restricted Net Position - Consists of net position with constraints placed on the use either by external groups, such as grantors or other governments, or by law through constitutional provisions or enabling legislation. In the Statement of Net Position the City reports \$1,531,481 of restricted net assets, of which \$84,908 (impact fees) is restricted by enabling legislation.

Unrestricted Net Position - Consists of all other net assets that do not meet the definition of the other two classifications above.

Governmental Fund Balances - Governmental fund equity is classified as fund balance. GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are not in a spendable form (such as inventory) or because they are required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes stipulated by external resource providers (such as grantors, bondholders, contributors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed Fund Balance - Amounts constrained to specific purposes by a formal action by City Council ordinance or resolution, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

Assigned Fund Balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance - Amounts that are available for any purpose; all amounts not included in other spendable classifications.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (Cont'd)

10. Use of Restricted Resources

In cases in which both unrestricted and restricted resources are available to finance an expense or program, the City's policy is to utilize restricted resources first whenever possible. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance; second, to other, less-restrictive classifications such as committed; and finally, assigned fund balances before using unassigned fund balances.

11. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet 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 periods(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate 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 currently has no items that qualify for reporting in this category.

12. Use of Estimates

The preparation of 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.

E. Revenues, Expenditures, and Expenses

1. Revenues

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all susceptible to accrual. Property taxes are levied annually based on the value of real property and tangible personal property as assessed on January 1. These taxes are payable from November until the following March and are recognized in the same fiscal period in which the taxes are due.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Revenues, Expenditures, and Expenses (Cont'd)

1. Revenues (Cont'd)

The key dates in the property tax cycle are as follows:

	<u>Due By</u>
Taxes are levied	January 1
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

2. Operating Revenues and Expenses

The City's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

3. Interfund Transactions

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration.

Encumbrances outstanding at year end are reported as reservations of fund balances in the governmental funds. They do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Appropriations and encumbrances lapse at the year end.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

B. Budgetary Policy

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 expenditure of any fund must be approved by the City Council. Expenditures for the General Fund may not exceed legal appropriations at the department level.

Budgeted amounts are as originally adopted and as amended by the City Council. For the year ended September 30, 2014 the City Council amended the original budget on November 17, 2014. The General Fund exceeded its budget appropriations in the public safety department for required contributions to the police pension fund.

Budgetary information is presented as Required Supplemental Information. The budgetary comparison schedule for the General Fund, the only major governmental fund, is shown on page F-1.

C. Compliance with Finance Related Legal and Contractual Provisions

The City has complied with the provisions of the Series 2012 Series Revenue Bonds, the United States Department of Agriculture, Rural Utilities Service (RUS) program and the State of Florida Revolving Loan covenants that require assets to be accumulated in a restricted account for the payment of future debt service.

The City has complied with the required payment of debt service principal and interest when due.

The City is required by the loan covenants of the revenue bonds and the U.S. Department of Agriculture loans to provide net water and wastewater revenues sufficient to pay 120% of the debt service coverage for these loans for the current year. The loans from the Florida Department of Environmental Protection (FDEP) require net water and wastewater revenues sufficient to pay 115% of the debt service coverage on these loans for the year. The City complied with these debt coverage percentages. See the detailed calculation on page E-19.

D. Deficit Fund Equity

At year end, one of the other non-major governmental funds, the City Hall Restoration Expendable Trust Fund, had a deficit fund balance of \$6,561. This deficit is expected be eliminated by contributions raised by charity events in the next few years.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. 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.

At September 30, 2014 the carrying amount of the City's cash deposits was \$4,472,734 and the bank balance was \$4,605,946. A net difference of \$133,212 between these two balances is created by timing differences on disbursements which have not yet cleared the bank at the end of the year. In addition, the City had \$400 cash on hand at September 30, 2014.

All deposits (cash and certificates of deposit) are insured by coverage under the Federal Deposit Insurance Corporation (FDIC) up to the amount of \$250,000 at each bank. 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. As a result of this arrangement, management believes the City's deposits are not exposed to custodial credit risk.

Restricted Cash

Certain cash and cash equivalents are legally restricted in the Statement of Net Position at September 30, 2014 as follows:

	Governmental Activities	Business-Type Activities
Capital improvements –		
Transportation	\$ 699,173	\$ -
Impact fees	84,908	750
Building permits	1,257	-
Fire reserve	127,072	-
Customer deposits	-	49,625
Debt service	-	151,535
Stormwater impact fees	-	71,587
Total restricted cash	\$ 912,410	\$ 273,497

Custodial credit risk-Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City's investments are secured through a third-party custodial arrangement in the City's name except for the external investment pool in the Florida Municipal Pension Trust Fund (FMPTF).

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Cash and Investments (Cont'd)

Investments

As of September 30, 2014 the City had the following investments at fair value:

Investment Type:	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Portfolio</u>
Money market funds	\$ 16,187	\$ 338,544	\$ 354,731	6.68%
U.S. Treasuries	356,866	424,029	780,895	14.71%
U.S. Government agencies	-	185,823	185,823	3.50%
FMPTF (a)	-	1,414,070	1,414,070	26.63%
Corporate bonds	-	482,669	482,669	9.09%
Corporate stocks	-	<u>2,091,737</u>	<u>2,091,737</u>	<u>39.39%</u>
Total investments	<u>\$ 373,053</u>	<u>\$ 4,936,872</u>	<u>\$ 5,309,925</u>	<u>100.00%</u>

(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 60/40 allocation between stocks and bonds. Separately issued financial statements may be obtained by contacting the Administrator for the Florida Municipal Pension Trust Fund, 301 Bronough Street, Suite 300, Tallahassee, Florida 32301.

The City does not have a formal investment policy for dealing with investment risks and therefore follows the guidance in the Florida Statutes. The pensions trust plans have individual investment policies which set forth the allowable mix and type of investments.

Florida Statutes authorize investment of surplus funds in Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, in interest-bearing time deposits or savings accounts in *qualified public depositories* (a shared risk collateral pool overseen by the State of Florida), in the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, and in direct obligations of the U.S. Treasury. The City's investments, except those investments within the pension plan trust funds, are invested in money market funds and U.S. Treasuries. The pension plan trust funds are allowed to invest in corporate or other bonds and in common stock with certain limitations.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Cash and Investments (Cont'd)

Summary of Cash and Investments

Reconciliation of cash and investments to amounts shown on the Statement of Net Position and the Statement of Fiduciary Net Position:

Statement of Net Position:

Cash	\$ 3,287,227
Investments	373,053
Restricted cash	1,185,907

Statement of Fiduciary Net Position:

Investments	4,936,872
Total	<u>\$ 9,783,059</u>

Total Reconciled:

Cash	\$ 4,473,134
Investments	5,309,925
Total	<u>\$ 9,783,059</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could adversely affect an investment's fair value. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2014 the City had the following investments with interest rate risk:

Investment Type:	<u>Fair Value</u>	<u>Weighted Average Maturity (Years) (a)</u>
U.S. Treasuries	\$ 780,895	1.48
U.S. Government Agencies	136,663	0.09
U.S. Government Notes & Bonds	49,160	0.13
Corporate bonds	482,669	0.75
FMPTF-FMlvT Broad Market High Quality Bond Fund (b)	226,251	0.61
Total investments with interest rate risk	<u>\$ 1,675,638</u>	<u>3.06</u>

(a) Weighted average years to maturity are used to estimate the interest rate risk.

(b) Portion of FMPTF external pool invested in a bond fund.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Cash and Investments (Cont'd)

Credit Risk

The following displays the credit quality ratings of the City's applicable investments:

	Credit Ratings (a)
Investment Type:	
Money market funds	Not Rated
U.S. Treasuries	AAA to Aaa
U.S. Governmental Agencies:	
Federal Home Loan Mortgage Corporation (FHLMC)	AA+ to AAA
Federal National Mortgage Association (FNMA)	AA+ to AAA
FHLMC Mortgage Pools	Not Rated
FNMA Mortgage Pools	Not Rated
GNMA Mortgage Pools	Not Rated
Corporate bonds	AA1 to A3
FMPTF – Broad Market High Quality Bond Portfolio	AA/V4

(a) The credit rating service listed above is Standard and Poor's or Moody's, except for the FMPTF broad market high quality bond portfolio which is rated by Fitch.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings above are provided to indicate associated credit risk. The investment policies of the pension trust funds have certain criteria regarding credit ratings allowed for their investments.

Concentration of credit risk - Concentration of credit risk is 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, 2014.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

B. Capital Assets

1. Capital Activity

Capital asset activity for the year ended September 30, 2014 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 167,836	\$ -	\$ -	\$ -	\$ 167,836
Total capital assets, not being depreciated	<u>167,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,836</u>
Capital assets, being depreciated:					
Buildings	4,309,451	-	(3,000)	-	4,306,451
Capitalized building lease	97,154	-	-	-	97,154
Improvements, other than buildings	1,641,754	10,227	-	(79,328)	1,572,653
Equipment	2,418,241	67,631	(96,481)	79,328	2,468,719
Infrastructure	614,585	-	-	-	614,585
Total capital assets, being depreciated	<u>9,081,185</u>	<u>77,858</u>	<u>(99,481)</u>	<u>-</u>	<u>9,059,562</u>
Less accumulated depreciation for:					
Buildings	(1,686,557)	(110,730)	-	-	(1,797,287)
Capitalized building lease	(21,860)	(2,429)	-	-	(24,289)
Improvements, other than buildings	(776,160)	(43,765)	-	58,067	(761,858)
Equipment	(1,754,779)	(117,462)	94,632	(58,067)	(1,835,676)
Infrastructure	(76,206)	(23,576)	-	-	(99,782)
Total accumulated depreciated	<u>(4,315,562)</u>	<u>(297,962)</u>	<u>94,632</u>	<u>-</u>	<u>(4,518,892)</u>
Total capital assets being depreciated, net	<u>4,765,623</u>	<u>(220,104)</u>	<u>(4,849)</u>	<u>-</u>	<u>4,540,670</u>
Governmental activities capital assets, net	<u>\$ 4,933,459</u>	<u>\$ (220,104)</u>	<u>\$ (4,849)</u>	<u>\$ -</u>	<u>\$ 4,708,506</u>

Business-type activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 69,371	\$ -	\$ -	\$ -	\$ 69,371
Construction in progress	1,559,613	1,431,753	-	(1,853,681)	1,137,685
Easement	105,300	-	-	-	105,300
Idle assets	216,937	-	-	-	216,937
Total capital assets, not being depreciated	<u>1,951,221</u>	<u>1,431,753</u>	<u>-</u>	<u>(1,853,681)</u>	<u>1,529,293</u>
Capital assets, being depreciated:					
Water and wastewater system	14,870,883	39,019	-	1,834,897	16,744,799
Stormwater system	759,973	83,800	-	-	843,773
Machinery and equipment	578,868	4,450	(14,612)	18,784	587,490
Total capital assets, being depreciated	<u>16,209,724</u>	<u>127,269</u>	<u>(14,612)</u>	<u>1,853,681</u>	<u>18,176,062</u>
Less accumulated depreciation for:					
Water and wastewater system	(4,276,227)	(610,678)	-	-	(4,886,905)
Stormwater system	(194,851)	(21,703)	-	-	(216,554)
Machinery and equipment	(295,177)	(47,134)	14,612	-	(327,699)
Total accumulated depreciated	<u>(4,766,255)</u>	<u>(679,515)</u>	<u>14,612</u>	<u>-</u>	<u>(5,431,158)</u>
Total capital assets being depreciated, net	<u>11,443,469</u>	<u>(552,246)</u>	<u>-</u>	<u>1,853,681</u>	<u>12,744,904</u>
Business-type activities capital assets, net	<u>\$ 13,394,690</u>	<u>\$ 879,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,274,197</u>

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

B. Capital Assets (Cont'd)

2. Depreciation Expense

Depreciation expense, including amortization of capital leases, was charged to functions as follows:

Governmental activities:		
General government	\$	62,395
Public safety		76,830
Transportation		46,969
Culture		64,097
Community affairs		<u>47,671</u>
Total depreciation expense		<u>\$ 297,962</u>
Business-type activities:		
Water and sewer system	\$	657,812
Stormwater system		<u>21,703</u>
Total depreciation expense		<u>\$ 679,515</u>

C. Interfund Receivables and Payables

Individual interfund receivable and payable balances as of September 30, 2014, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Fund- City Hall Restoration	\$ 6,430

The advance listed above represents funds from the General Fund to finance the City Hall Restoration Expendable Trust Fund's expenditures needed to complete a restoration project in a prior year which were in excess of grant funds received. This interfund balance is expected to be repaid within the next few years.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

D. Leases

Operating Leases

The City leased office equipment under two leases, one of which was paid off in the current year. The following are the future minimum lease payments for the remaining lease:

Year End	Amount
2015	\$ 924
2016	770
Total	\$ 1,694

Lease expense for the year totaled \$2,176.

E. Long-Term Liabilities

1. Long-Term Liability Activity

Long-term liability activity for the year ended September 30, 2014 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<u>Governmental Activities:</u>					
Other liabilities:					
Compensated absences	\$ 46,179	\$ 66,081	\$ (60,042)	\$ 52,218	\$ 52,218
Total Governmental	46,179	66,081	(60,042)	52,218	52,218
<u>Business-type Activities:</u>					
Long-term debt:					
Revenue bonds payable	1,517,462	-	(69,241)	1,448,221	71,376
Loans payable	3,126,629	-	(124,856)	3,001,773	129,142
Total long-term debt	4,644,091	-	(194,097)	4,449,994	200,518
Other liabilities:					
Compensated absences	24,145	18,418	(20,554)	22,009	22,009
Total Business-type	4,668,236	18,418	(214,651)	4,472,003	222,527
Total	\$ 4,714,415	\$ 84,499	\$ (274,693)	\$ 4,524,221	\$ 274,745

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

E. Long-Term Liabilities (Cont'd)

2. Revenue Bonds

Revenue bonds issued and outstanding are comprised of the following individual obligations:

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Ending Balance</u>
Water and Sewer System Refunding Revenue Bond, 2012 Series	3.06 %	\$ 1,583,306	<u>\$ 1,448,221</u>
Total revenue bonds payable			<u>\$ 1,448,221</u>

2012 Series Refunding Revenue Bond - On August 21, 2012, the City issued a Water and Sewer System Refunding Revenue Bond, Series 2012, totaling \$1,583,306 (par value) with an interest rate of 3.06%.

These bonds are secured by the net revenues of the water and wastewater systems and any legally available non-ad valorem revenues of the City. This 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%.

Payments are due in annual installments, including principal and interest, in the amount of \$115,150 with the final payment due in September 2030.

3. Loans Payable

Loans payable are comprised of the following individual obligations:

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Ending Balance</u>
Florida Dept. of Environmental Protection	3.16%	\$ 311,099	\$ 221,500
Florida Dept. of Environmental Protection	2.09%	2,000,000	1,331,273
US Dept. of Agriculture, Rural Utilities Services	4.75%	1,275,000	1,138,000
US Dept. of Agriculture, Rural Utilities Services	4.63%	<u>350,000</u>	<u>311,000</u>
Total loans payable		<u>\$ 3,936,099</u>	<u>\$ 3,001,773</u>

State of Florida Department of Environmental Protection Loans - These loans 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.

Payments are due in semiannual installments, including principal and interest.

The first State of Florida Department of Environmental Protection Loan has installments of \$10,455 with the last one due in June 2027.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

E. Long-Term Liabilities (Cont'd)

3. Loans Payable (Cont'd)

On June 21, 2012, the City Council approved finalizing the terms of the second State of Florida loan. Previously biannual payments were \$66,360, now the biannual payments are \$58,739 with the final payment due in June 2027.

United States Department of Agriculture, Rural Utilities Service (RUS) Loans - These two loans were the second in a group of loans authorized to provide funds for the construction of the wastewater plant (Phase I).

Payments are due in annual installments, including principal and interest. The first loan has installments varying from \$73,333 to the final payment of \$72,278 due in September 2043. The second loan has installments varying from \$20,078 to the final payment of \$19,879 due in September 2043.

State of Florida Department of Environmental Protection and RUS Loans - The net revenues of the water and wastewater system are also pledged for the repayment of the State of Florida and United States Department of Agriculture Rural Utilities Service (RUS) loans. These loans are subordinate to the revenue bonds. These loans require maintaining sinking accounts as described under revenue bonds. These loans also require maintaining reserve accounts at various specified amounts and maintaining minimum debt service coverage of 115% and 120%, respectively, of the City's net water and wastewater revenues.

4. Summary of Debt Service Requirements to Maturity

Annual debt service requirements of all long-term bonds and notes payable for business-type activities as of September 30, 2014 are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 200,518	\$ 146,458	\$ 346,976
2016	206,060	140,737	346,797
2017	211,721	134,848	346,569
2018	217,510	128,784	346,294
2019	223,426	122,545	345,971
2020-2024	1,217,639	512,250	1,729,889
2025-2029	1,125,560	329,150	1,454,710
2030-2034	378,560	199,460	578,020
2035-2039	339,000	127,529	466,529
2040-2043	330,000	39,865	369,865
Total	<u>\$ 4,449,994</u>	<u>\$ 1,881,626</u>	<u>\$ 6,331,620</u>

Interest expense for the year totaled \$151,002, all of which was expensed and is included as a direct function expense of water and wastewater treatment in the Statement of Activities.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

F. Pledged Revenues

Debt Service Coverage - The City is required by the loan covenants of the water and wastewater revenue bonds (which include the RUS loans) 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 coverages as follows:

Gross revenues (a)	\$ 1,296,736
Less:	
Operating expenses (b)	(624,230)
Annual bond reserve requirement	(9,379)
Net available revenue - Revenue bonds	\$ 663,127
Debt service requirements - Revenue bonds	\$ 207,675
Coverage - Revenue bonds	319%
Net available revenue - Revenue bonds	\$ 663,127
Required net revenues for revenue bonds (\$207,675 x 1.2)	(249,210)
Net available revenue - FDEP	\$ 413,917
Debt service requirements - FDEP	\$ 138,387
Coverage - FDEP	299%

- (a) Includes operating revenues for water and wastewater treatment and investment revenue.
(b) Excludes sanitation expenses (\$319,371), stormwater expenses (\$46,082), and depreciation (\$679,515).

Future Revenues - The City has pledged future revenues, net of certain operating expenses, for payment of debt. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in the preceding sections of this note:

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
Water and Wastewater	12/11/2043	\$6,331,620	\$345,099	\$663,127	192.16%

G. Pension Plans

The City maintains two separate single-employer defined benefit pension plans for its employees. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Both plans were adopted by City ordinance and are governed by separate boards of trustees. These pension plans do not issue stand-alone financial reports. These plans are subject to review by independent actuaries in order to determine annual required contributions. The City contributes to the General Employees' Pension Trust Fund.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

The Police Officers' Pension Trust Fund receives proceeds from an excise tax on property 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 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.

This excise tax is treated as an on behalf payment from the State of Florida with the proceeds recorded as operating grants and contributions and public safety expenses in the amount of \$24,244 in the Government-wide Statement of Activities.

1. Plan Descriptions

A. General Employees' Pension Trust Fund

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. Upon retirement, employees are entitled to a benefit of 1.5% of their average monthly compensation as defined in the plan for each year of credited service. Normal retirement age is 65 with at least 10 years of vested service. Early retirement age is 55 with at least 10 years of vested service. The plan also provides disability benefits for participants who are disabled on a continuous and permanent basis.

B. Police Officers' Pension Trust Fund

Currently members of the plan are the police officers who elected to remain with the plan when they transferred to the Polk County Sheriff's Office. Upon retirement, members are entitled to a benefit at 3.55% of their average final compensation as defined in the plan for each year of credited service. Normal retirement age is 55 with the completion of 10 years of credited service, or age 52 with the completion of 25 years of credited service. Early retirement age is 45 with at least 10 years of credited service. The plan also provides disability benefits for members who become totally and permanently disabled.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

2. Summary of Actuarial Methods, Assumptions and Related Information for Each Plan

	General Employees' Pension Trust	Police Officers' Pension Trust
Actuarial Valuation:		
Latest date	10/1/14	10/1/14
Frequency	Every other year	Annual
Cost method	Aggregate	Entry age normal
Accounting Policies:		
Basis of accounting	Accrual	Accrual
Assets valuation:		
Reporting	Market value	4 year smooth (market)
Membership:		
Active	18	2
Retiree & beneficiaries	7	5
Terminated vested	7	6
Contribution(By and on Behalf of City)		
Rates:		
City:		
% Required	1.59%	As needed
% Contributed	1.53%	109.59%*
Plan members	1%	1%
Annual pension cost	36,192	190,453
Actual contributions made:		
City/Polk County Sheriff	30,010	190,052
State of Florida	-	24,244
*Includes Polk County Sheriff and State of Florida		
Amortization:		
Remaining period	30 years	25 years
Method	Level dollar, open	Fixed, closed
Actuarial assumptions:		
Investment rate of return (net of investment related expenses)	7.25%	7.5%
Projected salary increases	5.5%	4.0%
Includes inflation at	3.25%	3.0%
Cost-of-living adjustments	None	3.0%

3. Three-year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<u>General Employees</u>				
	9/30/14	\$ 36,192	83.00%	\$ -
	9/30/13	34,305	102.00%	-
	9/30/12	28,979	119.00%	-
<u>Police Officers</u>				
	9/30/14	\$ 190,453	99.79%	\$ (6,502)
	9/30/13	135,605	86.12%	(6,903)
	9/30/12	113,584	82.10%	(25,729)

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

4. Development of Net Pension Asset (NPA)

	General Employees' Pension Trust 10/1/14	Police Officers' Pension Trust 10/1/14
Actuarially Determined Contribution (A)	\$ 36,192	\$ 190,052
Interest on NPA	-	(552)
Adjustment to (A)	-	953
Annual Pension Cost	36,192	190,453
Contributions Made	1,112	190,052
Increase (Decrease) in NPO	5,080	401
NPO (Asset), Beginning of Year	(13,668)	(6,903)
NPO (Asset), Ending of Year	\$ (8,588)	\$ (6,502)

As of September 30, 2012, the General Employees' Pension Trust has no calculated Net Pension Asset; however the City has made advance contributions in the amount of \$129,999 for that plan.

5. Method Changes

There have been no changes to the General Employees' Pension Trust or Police Officers' Pension Trust actuarial assumptions and methods since the prior valuation, as approved by the Board of Trustees.

6. Other Information

The General Employees' Pension Trust Plan uses the aggregate actuarial cost method to calculate the ARC. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities. The Schedule of Funding Progress is presented in the Required Supplementary Information section using the entry age normal cost method in order to provide information that serves as a surrogate for the funded status and funding progress of the plan.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liability for benefits.

The projection of benefits for financial statement reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

There are no stand-alone financial reports issued for the pension trust funds.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

H. Other Employee Benefits Plans

The City contributes 6% of the City Manager's salary to a deferred compensation plan established for the benefit of the City Manager. The City Manager is required to contribute a minimum 1% of her salary. All contributions are 100% vested. The City's contributions to this plan for the year ended September 30, 2014 was \$5,032.

The City also offers its 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.

I. Other Post Employment Benefits (OPEB)

Plan Description - The City provides retiring employees the option to continue participating in the City's health, dental and vision insurance benefits and group term life insurance benefits at the same rate as active employees. The contribution requirements of the City and plan members are established and can be amended by the City Council. These contributions are neither guaranteed nor mandatory. Retirees who do not choose, within thirty days after termination of employment, to participate lose eligibility to participate in the future. Participating retirees must pay 100% of the costs of any insurance they elect to continue. The plan does not issue a publicly available financial report.

Funding Policy - In order to comply with the requirements of The Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the City had an actuarial valuation of postemployment benefits performed. Since the City is required to co-mingle retirees and active employees in determining the health plan cost there exists an implicit subsidy to retirees that creates an OPEB liability on the part of the City. This pronouncement is being implemented prospectively and the City does not intend to fund this actuarial accrued liability and will pay any current costs on a "pay as you go" basis.

Participants - The City has 19 active employees. Of these 5 are fully eligible for benefits and 14 are not yet fully eligible. There are no retired participants.

Annual OPEB Cost and Net OPEB Obligation - The following shows the components of the City's annual OPEB cost as calculated for the year ended September 30, 2010. The City does not anticipate having another actuarial valuation performed until the plan has participants. The following also shows the amount actually contributed to plan which is zero since the plan is not being funded, and the changes in the City's net OPEB obligation to the plan:

Annual Required Contribution (ARC)	\$ 2,000
Adjustment to ARC	-
Annual OPEB Cost	<u>2,000</u>
Contributions Made	-
Increase in Net OPEB Obligation	<u>2,000</u>
Net OPEB Obligation, Beginning of Year	-
Net OPEB, Ending of Year	<u>\$ 2,000</u>

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

I. Other Post Employment Benefits (OPEB) (Cont'd)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year the actuarial valuation was performed are as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/10	\$ 2,000	0.00%	\$ 2,000

Actuarial Methods and Assumptions - Actuarial valuations are based on numerous assumptions concerning the cost of benefits to be provided in the future, the contributions expected to be made by retirees in the future, the incidence and level of benefit coverage in the future, and the future demographic experience of the current active employees of the City and current retirees and their covered dependents. The following were used in the year the evaluation was performed:

Valuation date	8/1/10
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level-dollar payment
Investment return	4.00% per annum (includes inflation at 2.75% per annum)
Healthcare cost trend rate(s):	<u>Insurance Premiums</u>
Select rates	10.00% for 2010/11 graded to 6.00% for 2018/19
Ultimate rates	5.00% per annum

Calculations of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revisions as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be.

Other Information - The Schedule of Funding Process following the notes presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actual accrued liability for benefits. Since this process was implemented in 2010 and the City does not anticipate having another valuation performed, only 2010 is presented in this year's report.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

J. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, employee health claims; and natural disasters for which the City carries commercial insurance. All coverage remains constant from the prior year.

K. Commitments and Contingencies

1. Construction Commitments

The City routinely enters into various construction commitments. At September 30, 2014 the most significant commitments follow:

<u>Project</u>	<u>Total Project</u>	<u>Expended</u>	<u>Commitment Outstanding</u>
Water Main Loop Project	\$ 1,435,300	\$1,148,273	\$ 287,027

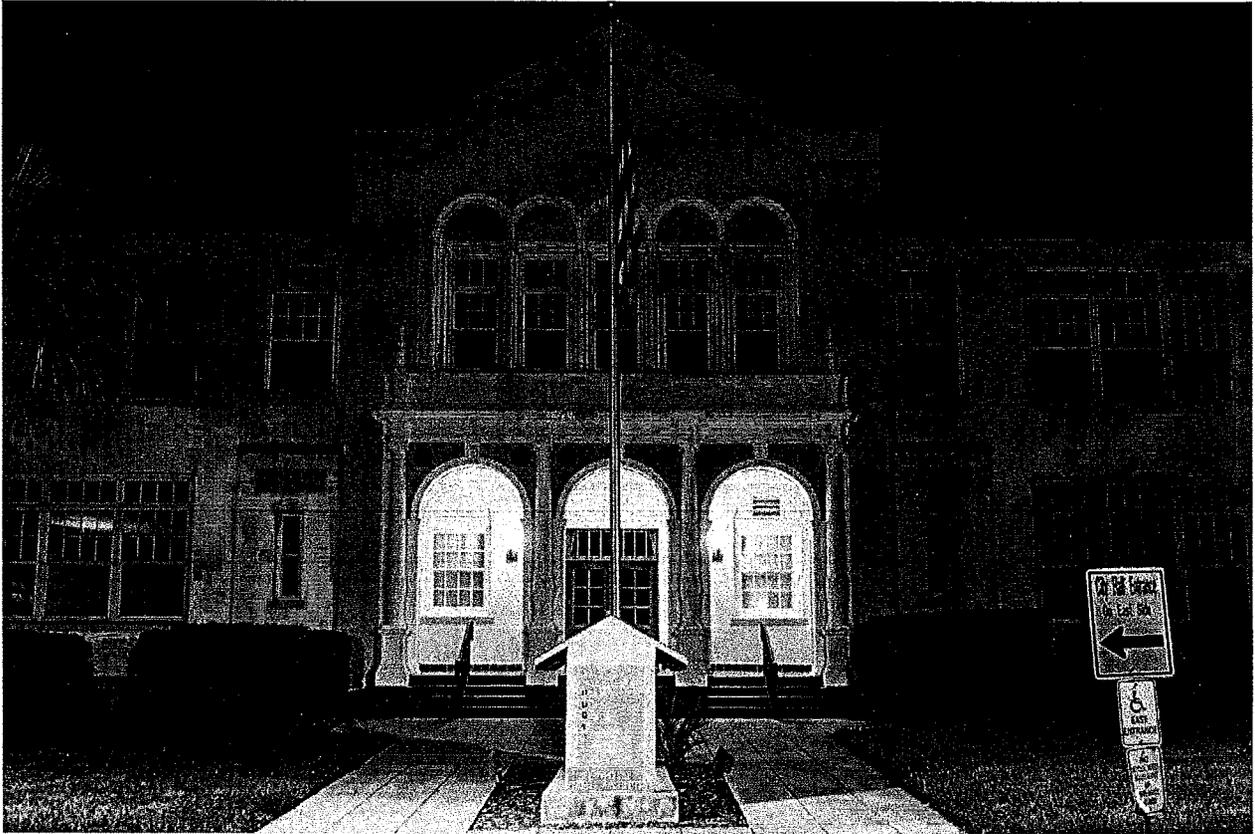
2. Contract with Polk County Sheriff's Office

The City has contracted with the Polk County Sheriff's Office to provide police services within the City. The initial contract for the period from January 1, 2007 to September 30, 2011 was amended in May 2014 extending services through September 30, 2017. The following are the annual amounts, which are paid in quarterly installments, due on this contract:

<u>Year End</u>	<u>Amount</u>
2015	\$788,316
2016	\$815,907
2017	\$844,464

Expense for the year totaled \$766,410 on this contract for police services.

REQUIRED SUPPLEMENTARY INFORMATION



City of Frostproof, Florida
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Property	\$ 851,290	\$ 851,290	\$ 873,121	\$ 21,831
Franchise and utility taxes	562,050	562,050	621,806	59,756
Licenses and permits	42,000	42,000	60,385	18,385
Intergovernmental	563,110	563,110	609,307	46,197
Charges for services	309,820	309,820	309,572	(248)
Fines and forfeitures	2,000	2,000	1,469	(531)
Impact fees	-	-	1,908	1,908
Investment income	20,000	20,000	9,938	(10,062)
Other	25,400	25,400	27,985	2,585
Total revenues	<u>2,375,670</u>	<u>2,375,670</u>	<u>2,515,491</u>	<u>139,821</u>
EXPENDITURES				
General government	455,020	457,020	451,272	5,748
Public safety	1,097,340	1,176,440	1,198,599	(22,159)
Transportation	379,270	378,170	373,585	4,585
Culture	196,180	203,180	185,823	17,357
Community affairs	58,880	68,880	66,008	2,872
Capital outlay	188,740	91,740	74,033	17,707
Total expenditures	<u>2,375,430</u>	<u>2,375,430</u>	<u>2,349,320</u>	<u>26,110</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>240</u>	<u>240</u>	<u>166,171</u>	<u>165,931</u>
NET CHANGE IN FUND BALANCES	<u>\$ 240</u>	<u>\$ 240</u>	<u>\$ 166,171</u>	<u>\$ 165,931</u>

See accompanying notes to other required supplementary information.

City of Frostproof, Florida
REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUNDS

For the Year Ended September 30, 2014

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
General Employees' Pension Trust *						
10/1/14	\$ 1,284,071	\$ 957,918	\$ -	134.05%	\$ 509,811	0.00%
10/1/13	1,250,105	N/A	N/A	N/A	N/A	N/A
10/1/12	1,106,835	911,713	-	121.40%	550,447	0.00%
10/1/11	986,391	N/A	N/A	N/A	N/A	N/A
10/1/10	1,044,732	914,236	-	114.27%	447,774	0.00%
10/1/09	951,934	N/A	N/A	N/A	N/A	N/A
Police Officers' Pension Trust						
10/1/14	\$ 3,448,145	\$ 3,962,020	\$ 513,875	87.03%	\$ 118,853	432.36%
10/1/13	3,121,882	3,949,856	827,974	79.04%	166,619	496.93%
10/1/12	2,881,637	3,612,562	730,925	79.77%	158,329	461.65%
10/1/11	2,780,789	3,559,023	778,234	78.13%	197,870	393.31%
10/1/10	2,916,147	3,339,193	423,046	87.33%	183,755	230.22%
10/1/09	2,978,399	3,299,136	320,737	90.28%	186,253	172.21%

* No actuarial valuations were performed for 2013, 2011, or 2009.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30,	Annual Required Contribution	City/Polk County Sheriff Contribution	State Contribution	Percentage Contributed
General Employees' Pension Trust				
2014	\$ 36,130	\$ 30,010	\$ -	83.00%
2013	34,246	34,305	-	102.00%
2012	28,945	28,979	-	119.00%
2011	27,436	27,436	-	127.00%
2010	31,081	31,081	-	100.00%
2009	29,721	29,721	-	100.00%
Police Officers' Pension Trust				
2014	\$ 190,052	\$ 165,808	\$ 24,244	100.00%
2013	134,113	92,535	24,244	87.08%
2012	110,913	69,829	23,428	84.08%
2011	95,041	69,472	25,569	100.00%
2010	48,846	24,241	24,605	100.00%
2009	28,901	28,458	25,879	188.01%

See accompanying notes to other required supplementary information.

City of Frostproof, Florida
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended September 30, 2014

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
8/1/10	\$ -	\$ 6,000	\$ 6,000	0.00%	\$ 474,000	1.27%

August 1, 2010 is the first fiscal year that an actuarial valuation was performed on the City's Other Postemployment Benefits Plan. The City is on a "pay as you go" basis and currently has no retired participants. Therefore, at the present time there is no plan for further actuarial valuations

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 2,000	\$ -	0.00%

See accompanying notes to other required supplementary information.

City of Frostproof, Florida
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2014

BUDGETARY COMPARISON SCHEDULE

The Budgetary Comparison Schedule in the accompanying Required Supplemental Information section presents a comparison of the legally adopted budget, as amended, with the actual results in the General Fund. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

Governmental fund budgets are prepared using the modified accrual basis of accounting which is the same basis of accounting used by the General Fund for financial statement reporting.

REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUNDS

1. Schedule of Funding Progress

In the past the schedule of funding progress was not required to be presented when pension plans used the aggregate actuarial cost method because this method does not identify or separately amortize unfunded actuarial accrued liabilities. Now GASB Statement No. 50 requires that such plans present this funding information using the entry age actuarial cost method. Therefore, the General Employees' Pension Trust Fund now presents this funding schedule as required in order to provide information that serves as a surrogate for the funded status and funding progress of the plan.

2. City Contributions

The annual required contribution for the Police Officers' Pension Trust Fund is generally contributed by the Polk County Sheriff's Office, limited to the Florida retirement system percentage. The City contributed \$125,208 to cover the remaining shortfall. This plan receives contributions from a one percent excise tax imposed by the City on casualty insurance proceeds from an excise tax on fire insurance, which is collected by the State of Florida and remitted to this plan.

For additional information regarding the pension trust funds refer to Note 3-G on pages E-19 to E-22 in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION - OPEB

1. Schedule of Funding Progress

GASB No. 45 requires the calculation of a possible future City obligation for an implicit subsidy by providing retirees with the option to continue participating in the City's health, dental, vision and group term life insurance benefits. The calculation of this liability is \$6,000.

2. City Contributions

The City is not funding this liability and will pay any costs on a "pay as you go" basis. Currently, there are no retirees participating in this benefit.

For additional information regarding OPEB refer to Note 3-I on pages E-23 to E-24 in the notes to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS



NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds account for proceeds from certain specific revenue sources. These funds are recorded separately as directed by legal requirements, regulatory provisions, or administrative action. As with the General Fund, the primary accounting focus is on the sources and uses of available funds and the financial activity is reported using the modified accrual basis of accounting.

City Hall Restoration Expendable Trust Fund

This fund was created originally to account for contributions received to be used for the restoration of City Hall, formerly the old Frostproof High School. The City is also receiving grant funds from the State of Florida, Department of State, Division of Historical Resources, to be used for this purpose.

Latt Maxcy Memorial Library Expendable Trust Fund

This fund was created for use by the library. Financing is provided by donations from the public and is used for expenditures not normally covered in the City budget process.

City of Frostproof, Florida
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2014

	City Hall Restoration Expendable Trust Fund	Latt Maxcy Memorial Library Expendable Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 269	\$ 6,730	\$ 6,999
Total assets	\$ 269	\$ 6,730	\$ 6,999
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 400	\$ -	\$ 400
Advance from other funds	6,430	-	6,430
Total liabilities	6,830	-	6,830
Fund Balances:			
Restricted for:			
Cultural activities	-	6,730	6,730
Unassigned	(6,561)	-	(6,561)
Total fund balances (deficit)	(6,561)	6,730	169
Total liabilities and fund balances	\$ 269	\$ 6,730	\$ 6,999

City of Frostproof, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>City Hall Restoration Expendable Trust Fund</u>	<u>Latt Maxcy Memorial Library Expendable Trust Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ 5,990	\$ -	\$ 5,990
Investment income	8	-	8
Other	<u>3,785</u>	<u>192</u>	<u>3,977</u>
Total revenues	<u>9,783</u>	<u>192</u>	<u>9,975</u>
EXPENDITURES			
Current:			
Culture	3,633	961	4,594
Capital outlay	<u>3,825</u>	<u>-</u>	<u>3,825</u>
Total expenditures	<u>7,458</u>	<u>961</u>	<u>8,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,325</u>	<u>(769)</u>	<u>1,556</u>
Net change in fund balances	2,325	(769)	1,556
Fund Balances (Deficit), Beginning of year	<u>(8,886)</u>	<u>7,499</u>	<u>(1,387)</u>
Fund Balances (Deficit), End of year	<u>\$ (6,561)</u>	<u>\$ 6,730</u>	<u>\$ 169</u>

FIDUCIARY FUNDS

PENSION TRUST FUNDS

General Employees' Pension Trust Fund

This plan was created October 1, 1985 to provide retirement benefits for City employees with more than one year of service.

Police Officers' Pension Trust Fund

This fund was created May 28, 1985, to provide a retirement fund for police officers. The plan currently covers the police officers who elected to remain with the plan when they transferred to the Polk County Sheriff's Office in January 2008.

City of Frostproof, Florida
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
ASSETS			
Investments	\$ 1,414,070	\$ 3,522,802	\$ 4,936,872
Receivables:			
Due from the City	-	5,208	5,208
Due from other governments	-	24,586	24,586
Accrued interest and dividends	-	11,426	11,426
Total assets	<u>1,414,070</u>	<u>3,564,022</u>	<u>4,978,092</u>
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 1,414,070</u>	<u>\$ 3,564,022</u>	<u>\$ 4,978,092</u>

City of Frostproof, Florida
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended September 30, 2014

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
ADDITIONS			
Contributions:			
Employer:			
City	\$ 30,010	\$ 127,779	\$ 157,789
Other	-	32,034	32,034
Employee	5,002	3,096	8,098
On-behalf payments - State of Florida	-	24,244	24,244
Total contributions	35,012	187,153	222,165
Net Investment income (loss):			
Investment income	114,850	245,188	360,038
Total investment income	114,850	245,188	360,038
Less investment advisor fee	4,920	11,559	16,479
Net investment income	109,930	233,629	343,559
Total additions, Net	144,942	420,782	565,724
DEDUCTIONS			
Benefits paid	50,410	121,165	171,575
Refunds, former plan members	61,668	-	61,668
Administrative expense	-	32,810	32,810
Total deductions	112,078	153,975	266,053
Change in net position	32,864	266,807	299,671
Net position, Beginning of year	1,381,206	3,297,215	4,678,421
Net position, End of year	\$ 1,414,070	\$ 3,564,022	\$ 4,978,092

COMPLIANCE SECTION





Turner A. Wiggins, C.P.A.
Donald J. Smit, C.P.A.
Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

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

Honorable Mayor, Members of the City Council
and City Manager
City of 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, 2014, 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 12, 2015.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
Page Two

We noted certain matters that we reported to the management of the City in the accompanying management letter dated June 12, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wiggins, Smit, Bueby, Reineke & Company, P.A.

June 12, 2015
Winter Haven, Florida



Turner A. Wiggins, C.P.A.
Donald J. Smit, C.P.A.
Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor, Members of the City Council
and City Manager
City of 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, 2014, and have issued our report thereon dated June 12, 2015.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated June 12, 2015, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

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. For the required disclosure for the primary government, see Footnote 1-A in the notes of the basic financial statements. The City does not have any component units included in its reporting entity.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Frostproof, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Although the City Hall Restoration Expendable Trust Fund has a deficit in unassigned fund balance, the General Fund has a sufficient unassigned fund balance to cover this deficit.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The results of our financial condition assessment procedures indicated that the City's overall financial condition was not deteriorating as of September 30, 2014.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Frostproof, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have noted our findings and recommendations under the heading Prior Year Findings and Recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we have noted our findings and recommendations under the heading Current Year Findings and Recommendations.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Finding 13-01 - Excess of Expenses over Budget Appropriations

Criteria: All actual department expenditures comply with the budget approved by the City Council.

Condition: The Public safety department overspent the budget for that department.

Effect: The City's budget is not in compliance with State of Florida Statutes.

Cause: Failure to amend the Public safety department budget for pension liability.

Recommendation: We recommend that management more closely tie the actual to budget amounts before the final revision of the budget.

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
Page Three

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding 14-01 - Internal Controls over Capital Assets Inventory

Criteria: The City should have inventory records based on physical assets which reconcile to the City's historic capital asset records.

Condition: The City maintains inventory records of assets physically located in each department of the City. The departments are not consistently following disposition procedures to have the assets removed from inventory.

Effect: The City has not adequately safeguarded capital assets and inventory items from loss.

Cause: The Public Works and Fire Departments are not consistently completing disposal forms for each asset so that Council can approve removal and asset records can be updated.

Recommendation: We recommend that management emphasize to department heads the importance of maintaining asset procedures on a consistent basis.

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, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins, Smit, Buelby, Reinecke & Company, P.A.

June 12, 2015
Winter Haven, Florida



... *The Friendly City*

**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, Wiggins, Smit, Burby, Reineke & Co., P.A., Certified Public Accountants, we submit the following

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Finding 13-01-Excess of Expenses over Budget Appropriations

Comments on Findings: The City agrees.

Actions Taken or Planned: Management will review and adjust police pension expense before final budget amendment.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding 14-01-Internal controls over capital assets inventory

Comments on Findings: The City agrees.

Actions Taken or Planned: Management has issued a written memorandum to all department heads emphasizing the importance of maintaining proper procedures on a consistent basis with all City assets.

Sincerely,


Melody Walsh
Finance Manager

June 12, 2015
Frostproof, Florida



Turner A. Wiggins, C.P.A.
Donald J. Smit, C.P.A.
Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor and Members of the City Council
City of Frostproof, Florida

We have examined the City of Frostproof, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Wiggins, Smit, Burby, Reineke & Company, P.A.

June 12, 2015
Winter Haven, Florida