

CITY OF FROSTPROOF, FLORIDA  
FINANCIAL STATEMENTS

September 30, 2017

**City of Frostproof, Florida**  
**Annual Financial Report**  
**For the year ended September 30, 2017**

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**Annual Financial Report**  
**For the year ended September 30, 2017**

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*City of Frostproof*  
*The Friendly City*

## **INTRODUCTORY SECTION**

**City of Frostproof, Florida**  
**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2017**

**City Council**

**Mayor**

Rodney Cannon

**Council Members**

Martin Sullivan  
Jonathan Albert  
Austin Gravely  
Ralph Waters

**City Manager**

Lee Evett

**City Attorney**

Mark H. Smith

**City Engineer**

Steven A. Dutch

**City Planner**

Jennifer Codo-Salisbury

**Finance Manager**

Melody Sauerhafer

**City Clerk**

Nicole McDowell

**Fire Chief**

Clifford O. Cofer

**Building Official**

Clifton Smith

**Library Director**

Melissa D. Hadden

**Public Service Director**

James R. Keene

**Utility Manager**

Sharon A. Bass



*City of Frostproof*  
*The Friendly City*

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-types activities, and each major fund of the City of Frostproof, Florida, as of and for the year ended September 30, 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Frostproof, Florida, as of September 30, 2017, 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 4-14 and 60-69 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.





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

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2018 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, and contracts 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 the internal control over financial reporting or 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.

**Other Reporting Required by *Chapter 10.550, Rules of the Auditor General***

We have also issued our report dated February 19, 2018 on our examination of compliance with requirements of Chapter 10.550, Rules of the Auditor General. The purpose of that report is to describe the scope of our examination of compliance over compliance with Chapter 10.550, Rules of the Auditor General and issue an opinion on compliance with Chapter 10.550, Rules of the Auditor General.

*Baylis & Company PA*

**Baylis & Company PA**

Lakeland, Florida  
February 19, 2018



**CITY OF FROSTPROOF**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2017

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As management of the City of Frostproof, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,341,840 (net position). Of this amount, \$3,606,988 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$254,864.
- The City's governmental activities reported ending net position of \$7,471,313 a decrease of \$88,658.
- The City's business-type activities reporting ending net position of \$11,870,527, a decrease of \$166,206.

**Overview of the Financial Statements**

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

**Government-wide financial statements**

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

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

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

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

**Overview of the Financial Statements (Cont'd)**

**Government-wide financial statements (Cont'd)**

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

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

**Reporting the City's Most Significant Funds**

**Fund financial statements**

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

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

**Overview of the Financial Statements (Cont'd)**

**Fund Financial Statements – Governmental funds (Cont'd)**

The City maintains one major governmental fund referred to the general fund. The general fund accounts for the activities of a variety of different programs that are not financed from direct user charges. As a major fund, the general fund is accounted for as a separate column on the governmental fund financial statements. All of the other governmental funds of the City are reported collectively as non-major governmental funds and 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 as required supplementary information 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 the basic financial statements in a section of this report titled "required supplementary information".

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

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

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

**Notes to the financial statements**

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

**Other information**

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

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

**CITY OF FROSTPROOF**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2017

**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**

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 3,224,939	\$2,977,155	\$ 1,755,179	\$ 1,461,142	\$ 4,980,118	\$ 4,438,297
Capital assets	4,432,295	4,676,998	13,590,202	14,196,018	18,022,497	18,873,016
<b>Total assets</b>	<b>7,657,234</b>	<b>7,654,153</b>	<b>15,345,381</b>	<b>15,657,160</b>	<b>23,002,615</b>	<b>23,311,313</b>
Deferred outflows	708,123	756,318	112,491	103,268	820,614	859,586
Current liabilities	110,612	76,539	393,141	118,548	503,753	195,087
Non-current liabilities	508,667	698,721	3,122,592	3,577,993	3,631,259	4,276,714
<b>Total liabilities</b>	<b>619,279</b>	<b>775,260</b>	<b>3,515,733</b>	<b>3,696,541</b>	<b>4,135,012</b>	<b>4,471,801</b>
Deferred inflows	274,765	75,240	71,612	27,154	346,377	102,394
Net position:						
Net investment in capital assets	4,432,295	4,676,998	10,261,156	10,644,615	14,693,451	15,321,613
Restricted	820,222	621,412	221,179	251,901	1,041,401	873,313
Unrestricted	2,218,796	2,261,561	1,388,192	1,140,217	3,606,988	3,401,778
<b>Total net position</b>	<b>\$ 7,471,313</b>	<b>\$7,559,971</b>	<b>\$11,870,527</b>	<b>\$12,036,733</b>	<b>\$19,341,840</b>	<b>\$19,596,704</b>

**Net position – Investment in Capital Assets** – The largest portion of the City's net position, (76%) reflects its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net position – Restricted** – Restricted net position, representing 5% of the City's total net position, are subject to external restrictions on how they may be used.

**Net position – Unrestricted** - Unrestricted net position comprises 19% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2017, the City is able to report positive balances in all three categories of net position for the City as a whole.

**CITY OF FROSTPROOF**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2017

**Government-wide Financial Analysis (Cont'd)**

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Revenues:</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 389,260	\$ 147,048	\$ 1,839,125	\$ 1,767,289	\$ 2,228,385	\$ 1,914,337
Operating grants/contrib.	299,776	273,745	-	-	299,776	273,745
Capital grants/contrib.	140,331	144,128	22,983	952,746	163,314	1,096,874
<i>General revenues:</i>						
Taxes	1,467,839	1,513,425	-	-	1,467,839	1,513,425
Intergovernmental	313,332	300,901	-	-	313,332	300,901
Other	29,390	28,435	3,178	3,623	32,568	32,058
<b>Total revenues</b>	<b>2,639,928</b>	<b>2,407,682</b>	<b>1,865,286</b>	<b>2,723,658</b>	<b>4,505,214</b>	<b>5,131,340</b>
<b>Expenses:</b>						
General government	640,433	549,197	-	-	640,433	549,197
Public safety	-	1,091,749	-	-	-	1,091,749
Law enforcement	1,044,716	-	-	-	1,044,716	-
Fire control	163,290	-	-	-	163,290	-
Building enforcement	40,999	-	-	-	40,999	-
Transportation	472,603	448,454	-	-	472,603	448,454
Culture	256,849	265,313	-	-	256,849	265,313
Community affairs	109,696	114,257	-	-	109,696	114,257
Water and wastewater	-	-	1,568,207	1,560,688	1,568,207	1,560,688
Sanitation	-	-	352,268	334,768	352,268	334,768
Stormwater	-	-	111,017	76,070	111,017	76,070
<b>Total expenses</b>	<b>2,728,586</b>	<b>2,468,970</b>	<b>2,031,492</b>	<b>1,971,526</b>	<b>4,760,078</b>	<b>4,440,496</b>
Change in Net Position	(88,658)	(61,288)	(166,206)	752,132	(254,864)	690,844
Net position - Beginning	7,559,971	7,559,829	12,036,733	11,284,601	19,596,704	18,844,430
Restatement	-	61,430	-	-	-	61,430
Net position - Ending	<b>\$7,471,313</b>	<b>\$7,559,971</b>	<b>\$11,870,527</b>	<b>\$12,036,733</b>	<b>\$19,341,840</b>	<b>\$19,596,704</b>

**Governmental activities** - Governmental activities decreased the City's net position by \$86,658 as compared to a decrease of \$61,288 for the prior year. The main reasons for the current year changes are as follows:

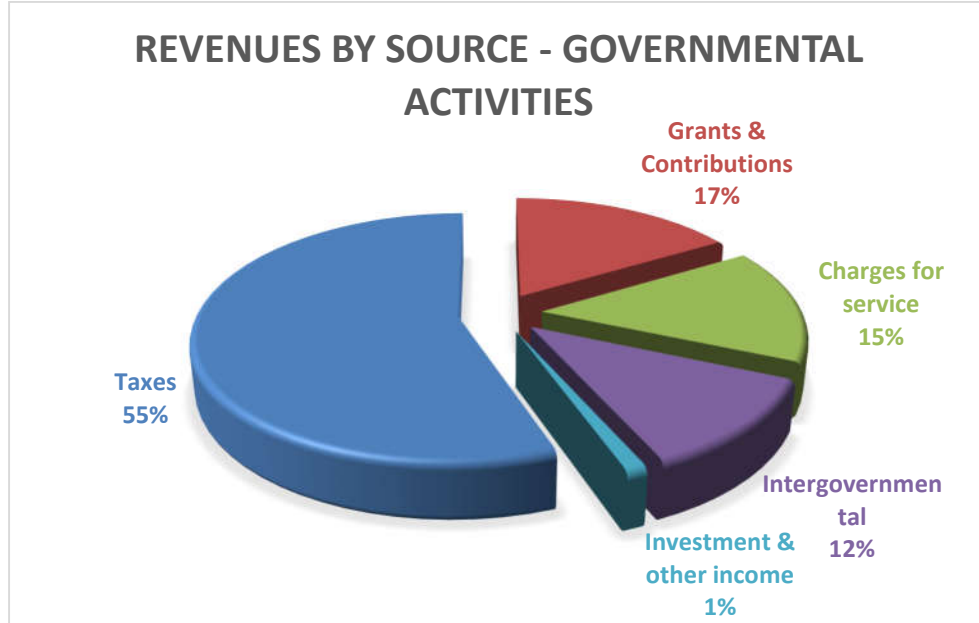
- Total revenue increased by \$232,246.
- Total expenses increased by \$259,616.

**Business-type activities** - Business-type activities decreased City's net position by \$166,206 as compared to an increase of \$752,132 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue decreased by \$858,372 caused by a \$929,763 decrease in capital grants and contributions and total expenses increased by \$59,966.

**Government-wide Financial Analysis (cont'd)**

The following pie chart illustrates revenues of governmental activity by source for the year ended September 30, 2017. Taxes, which include property, franchise and utility taxes, comprise 55% of the revenue in the City's governmental activities. Taxes decreased \$45,586 from the prior year.

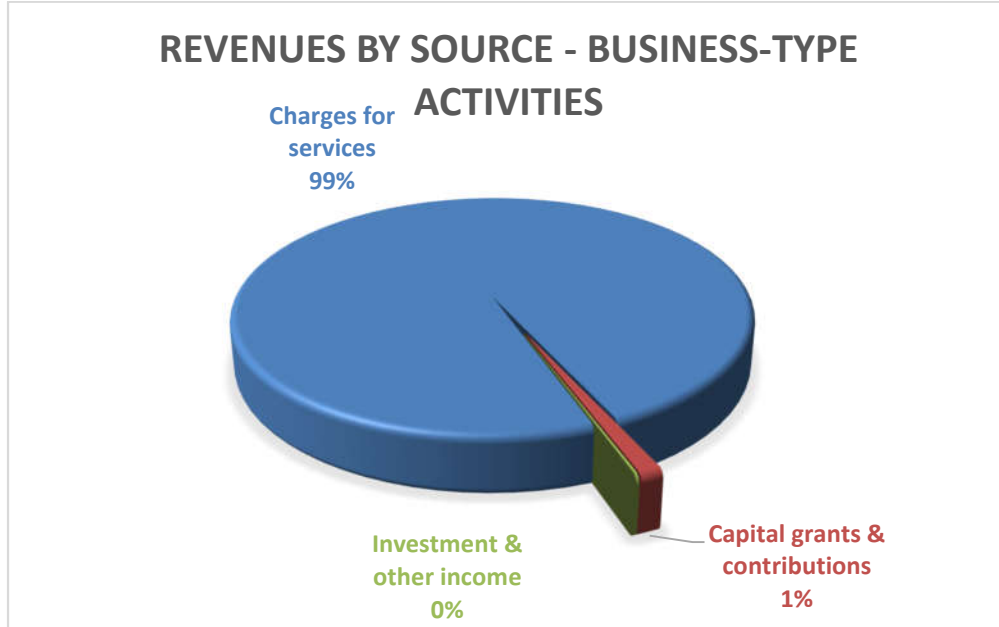


The following pie chart illustrates expenses of governmental activities for the year ended September 30, 2017. Law enforcement is the largest expense and comprises 38% of the expenses in the City's governmental activities.

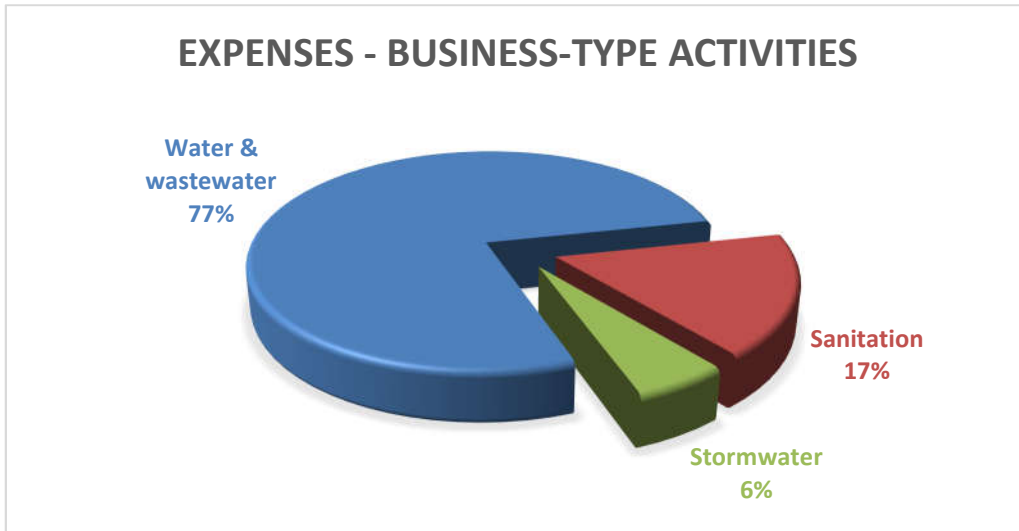


**Government-wide Financial Analysis (Cont'd)**

The following pie chart illustrates revenues of business-type activities by source for the year ended September 30, 2017. Charges for services comprise 99% of the revenues in the City's business-type activities. Charges for services increased by \$71,836 from the prior year.



The following pie chart illustrates expenses of business-type activities for the year ended September 30, 2017. The water and wastewater system accounts for 77% of the expenses of the City's business-type activities. Water and wastewater system expenses increased by \$17,813 from the prior year.





**CITY OF FROSTPROOF**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2017

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**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City's only major governmental fund, the general fund, reported ending fund balances of \$2,846,449, an increase of \$122,302 in comparison with the previously reported balance in the prior year. Of this total, \$2,018,858 for the general fund constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$827,591 is nonspendable, restricted or assigned as indicated. Total fund balance in the prior year was \$2,724,147, of which \$2,094,295 represented unassigned fund balance.

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

- Total general fund revenues increased by \$204,619 or 8% mainly due to a \$242,944 increase in charges for service caused by the implementation of a fire protection assessment fee.
- Total general fund expenditures decreased by approximately \$343,484 or 12% mainly caused by decreased capital outlay expenditures.

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

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

**General Fund Budgetary Highlights**

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

Actual revenue on a budgetary basis were less than budgeted resources by \$13,136 and actual expenditures on a budgetary basis were \$531,748 less than budgeted resulting in an overall favorable budget variance of \$518,612.

**CITY OF FROSTPROOF**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2017

**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, 2017, amounts to \$18,022,497 (net of accumulated depreciation). This investment includes land, buildings, vehicles, equipment, furnishings, water and wastewater treatment system and stormwater system. This amount represents a net decrease of \$850,519 or 5% over last year which is the result of current year depreciation expense in excess of current year additions.

Information on the City's capital assets is summarized in the following table.

<b>Capital Assets Activity</b> (net of accumulated depreciation) as of September 30,						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Land	\$ 167,836	\$ 167,836	\$ 80,318	\$ 80,318	\$ 248,154	\$ 248,154
Buildings	2,293,490	2,410,276	-	-	2,293,490	2,410,276
Intangible assets	-	-	105,300	105,300	105,300	105,300
Idle assets	-	-	216,537	216,537	216,537	216,537
Improvements other than buildings	678,933	722,708	-	-	678,933	722,708
Machinery and equipment	475,370	526,228	259,449	236,370	734,819	762,598
Infrastructure	816,666	849,950	-	-	816,666	849,950
Water and wastewater system	-	-	11,316,020	11,951,541	11,316,020	11,951,541
Stormwater system	-	-	561,038	581,460	561,038	581,460
Construction in progress	-	-	1,051,540	1,024,492	1,051,540	1,024,492
<b>Total</b>	<b>\$4,432,295</b>	<b>\$4,676,998</b>	<b>\$13,590,202</b>	<b>\$ 14,196,018</b>	<b>\$18,022,497</b>	<b>\$ 18,873,016</b>

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

- Water and wastewater system improvements
- Equipment purchases

Additional information on the City's capital assets can be found in note 5 of the notes to the financial statements in this report.

**CITY OF FROSTPROOF**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2017**

**Long-Term Debt** - At the end of the current fiscal year, the City had total debt outstanding in the amount of \$3,329,046 in bonds and loans payable. The following table provides a comparative summary of the City's outstanding debt.

**Outstanding Debt**  
as of September 30,

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenue bonds payable	\$ -	\$ -	\$ 2,273,860	\$ 1,303,268	\$ 2,273,860	\$ 1,303,268
Loans payable	-	-	1,055,186	2,248,135	1,055,186	2,248,135
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,329,046</b>	<b>\$ 3,551,403</b>	<b>\$ 3,329,046</b>	<b>\$ 3,551,403</b>

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

**Economic Factors and Next Year's Budgets and Rates**

It is anticipated that the following significant items will affect the 2018 fiscal year:

- The City negotiated new interest rates with Citizens Bank and Trust which will earn approximately \$36,000 more in interest income or a 380% increase. Resolution 2018-02 was adopted on February 5, 2018.
- The City reduced Wastewater base rates from \$55.59 to \$50.59 which will result in a decrease in charges for services of approximately \$50,000. Resolution 2017-20 was adopted on September 18, 2017.
- The City entered into an agreement with Elite Lawn & Landscape on November 20, 2017 for \$210,000 annual contract for citywide landscape and grass cutting services and permitted in a reorganization of the Public Works Department. Remaining personnel have been redirected exclusively to utility operations, buildings and grounds maintenance/repair and refurbishment.
- The City hired two technically qualified positions, an electrician and state certified utility collection and distribution professional. Two new specialty vehicles were purchased at auction to be utilized by the technically qualified personnel in order to remove dependence on outside vendor services and equipment.
- The City continues with the asphalt overlay project which results in a reduction in road maintenance and repair expenses.
- The City replaced seven inoperable and non-repairable fire hydrants with gate valves and new hydrants at each location.
- The City entered into a contract to construct a 400,000-gallon water tank as a major component to the Well 6 water treatment plant.
- The City contracted with CivilSurv Engineering to complete an analysis of our utility operations.

**Requests for information**

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

**CITY OF FROSTPROOF, FLORIDA**

**STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,653,665	\$ 1,204,737	\$ 2,858,402
Investments	375,720	-	375,720
Receivables, current:			
Customer accounts, net	-	165,032	165,032
Franchise and utility service taxes	48,443	-	48,443
Intergovernmental	61,842	9,890	71,732
Notes receivable	1,050	-	1,050
Net pension asset	259,919	89,420	349,339
Restricted assets:			
Cash and cash equivalents	824,300	286,100	1,110,400
Capital Assets:			
Non-depreciable	167,836	1,453,695	1,621,531
Depreciable, net	4,264,459	12,136,507	16,400,966
<b>TOTAL ASSETS</b>	<b>7,657,234</b>	<b>15,345,381</b>	<b>23,002,615</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	708,123	112,491	820,614
<b>LIABILITIES</b>			
Accounts payable	79,490	90,690	170,180
Accrued payroll	11,953	4,008	15,961
Due to other governments	1,090	-	1,090
Unearned revenue	17,979	-	17,979
Accrued interest payable	-	11,516	11,516
Customer deposits	100	53,405	53,505
Long-term obligations:			
Due within one year	-	233,522	233,522
Due in more than one year	508,667	3,122,592	3,631,259
<b>TOTAL LIABILITIES</b>	<b>619,279</b>	<b>3,515,733</b>	<b>4,135,012</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	274,765	71,612	346,377
<b>NET POSITION</b>			
Net investment in capital assets	4,432,295	10,261,156	14,693,451
Restricted for:			
Debt service	-	38,933	38,933
Cultural activities	10,327	-	10,327
Capital improvement	96,347	182,246	278,593
Public safety operations	2,587	-	2,587
Transportation expenses	623,494	-	623,494
Fire protection services	87,467	-	87,467
Unrestricted	2,218,796	1,388,192	3,606,988
<b>TOTAL NET POSITION</b>	<b>\$ 7,471,313</b>	<b>\$ 11,870,527</b>	<b>\$ 19,341,840</b>

The accompanying notes are an integral part of these financial statements

# CITY OF FROSTPROOF, FLORIDA

## STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental activities:</b>							
General government	\$ 640,433	\$ 71,110	\$ 42,515	\$ 423	\$ (526,385)	\$ -	\$ (526,385)
Law enforcement	1,044,716	5,606	39,495	4,021	(995,594)	-	(995,594)
Fire control	163,290	252,319	-	1,656	90,685	-	90,685
Building enforcement	40,999	24,096	-	-	(16,903)	-	(16,903)
Transportation	472,603	27,381	164,973	133,432	(146,817)	-	(146,817)
Culture/recreation	256,849	8,748	52,793	232	(195,076)	-	(195,076)
Community affairs	109,696	-	-	567	(109,129)	-	(109,129)
<b>Total governmental activities</b>	<b>2,728,586</b>	<b>389,260</b>	<b>299,776</b>	<b>140,331</b>	<b>(1,899,219)</b>	<b>-</b>	<b>(1,899,219)</b>
<b>Business-type activities</b>							
Water and wastewater utility	1,568,207	1,401,960	-	22,683	-	(143,564)	(143,564)
Sanitation utility	352,268	386,624	-	-	-	34,356	34,356
Stormwater utility	111,017	50,541	-	300	-	(60,176)	(60,176)
<b>Total business-type activities</b>	<b>2,031,492</b>	<b>1,839,125</b>	<b>-</b>	<b>22,983</b>	<b>-</b>	<b>(169,384)</b>	<b>(169,384)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,760,078</b>	<b>\$ 2,228,385</b>	<b>\$ 299,776</b>	<b>163,314</b>	<b>(1,899,219)</b>	<b>(169,384)</b>	<b>(2,068,603)</b>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes, levied for general purposes					909,939	-	909,939
Franchise and public service taxes					557,900	-	557,900
State shared revenue					313,332	-	313,332
Investment earnings					8,379	3,178	11,557
Other revenues					21,011	-	21,011
Total general revenues and transfers					1,810,561	3,178	1,813,739
Change in net position					(88,658)	(166,206)	(254,864)
<b>NET POSITION, beginning of year</b>					7,559,971	12,036,733	19,596,704
<b>NET POSITION, end of year</b>					\$ 7,471,313	\$ 11,870,527	\$ 19,341,840

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
September 30, 2017

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,653,665	\$ 14,405	\$ 1,668,070
Investments	375,720	-	375,720
Receivables, current:			
Franchise and utility service taxes	48,443	-	48,443
Intergovernmental	61,842	-	61,842
Notes receivable	1,050	-	1,050
Advances to other funds	6,446	-	6,446
Restricted assets:			-
Cash and cash equivalents	809,895	-	809,895
Total assets	<u>2,957,061</u>	<u>14,405</u>	<u>2,971,466</u>
<b>LIABILITIES</b>			
Accounts payable	79,490	-	79,490
Accrued wages	11,953	-	11,953
Due to other governments	1,090	-	1,090
Advances from other funds	-	6,446	6,446
Deposits	100	-	100
Unearned revenue	17,979	-	17,979
Total liabilities	<u>110,612</u>	<u>6,446</u>	<u>117,058</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Advances to other funds	6,446	-	6,446
Restricted for:			
Cultural activities	-	10,327	10,327
Public safety	2,587	-	2,587
Capital improvements	96,347	-	96,347
Transportation improvements	623,494	-	623,494
Fire protection services	87,467	-	87,467
Assigned to:			
City centennial	11,250	-	11,250
Unassigned	2,018,858	(2,368)	2,016,490
Total fund balances (deficit)	<u>2,846,449</u>	<u>7,959</u>	<u>2,854,408</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,957,061</u>	<u>\$ 14,405</u>	<u>\$ 2,971,466</u>

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

September 30, 2017

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

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 2,854,408</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,432,295
The net pension asset is not an available resource and, therefore is not reported in the governmental funds.	259,919
Deferred outflows of resources represent an decrease in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	708,123
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	(274,765)
Long-term liabilities, including bonds and notes payable, compensated absences and net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(508,667)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 7,471,313</u></b>

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
For the year ended September 30, 2017

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total</b>
<b>REVENUES:</b>			
Taxes:			
Property	\$ 909,939	\$ -	\$ 909,939
Franchise and utility taxes	614,022	-	614,022
Licenses and permits	30,209	-	30,209
Intergovernmental revenue	672,408	-	672,408
Charges for services	356,418	2,288	358,706
Fines and forfeitures	6,438	-	6,438
Investment income	8,375	5	8,380
Other	33,755	6,070	39,825
Total revenues	<u>2,631,564</u>	<u>8,363</u>	<u>2,639,927</u>
<b>EXPENDITURES:</b>			
Current:			
General government	579,895	-	579,895
Public safety	1,234,056	-	1,234,056
Transportation	404,538	-	404,538
Culture	188,865	2,189	191,054
Community affairs	58,560	-	58,560
Capital outlay	43,348	-	43,348
Total expenditures	<u>2,509,262</u>	<u>2,189</u>	<u>2,511,451</u>
<b>NET CHANGE IN FUND BALANCE</b>	122,302	6,174	128,476
<b>FUND BALANCE, beginning of year</b>	<u>2,724,147</u>	<u>1,785</u>	<u>2,725,932</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 2,846,449</u></u>	<u><u>\$ 7,959</u></u>	<u><u>\$ 2,854,408</u></u>

The accompanying notes are an integral part of these financial statements



**CITY OF FROSTPROOF, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2017

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

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$	128,476
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount of capital assets recorded in the current period.		42,482
--	--	--------

This is the amount of depreciation recorded in the current period.		(287,185)
--	--	-----------

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

This is the change in accrued compensated absences during the year.		4,453
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Pension expense is reported in the statement of activities which differs from pension expenditures as reported in the governmental funds:

This amount represents the change in deferred inflows related to pensions.		(199,525)
--	--	-----------

This amount represents the change in deferred outflows related to pensions.		(48,195)
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This amount represents the change in the net pension asset.		85,235
---	--	--------

This amount represents the change in the net pension liability.		185,601
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>(88,658)</b>
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The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
September 30, 2017

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,204,737
Receivables:	
Customers, net	165,032
Intergovernmental	9,890
Total current assets	<u>1,379,659</u>
Noncurrent assets:	
Restricted cash and cash equivalents	286,100
Net pension asset	89,420
Capital assets:	
Non-depreciable	1,453,695
Depreciable, net	12,136,507
Total noncurrent assets	<u>13,965,722</u>
Total assets	<u>15,345,381</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>112,491</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	90,690
Accrued wages	4,008
Bonds and notes payable, current	233,522
Total current liabilities	<u>328,220</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets	
Customer deposits	53,405
Interest payable	11,516
Compensated absences	27,068
Bonds and notes payable, noncurrent portion	3,095,524
Total noncurrent liabilities	<u>3,187,513</u>
Total liabilities	<u>3,515,733</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>71,612</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,261,156
Restricted for:	
Debt service	38,933
Capital improvements	182,246
Unrestricted	1,388,192
Total net position	<u>\$ 11,870,527</u>

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION – PROPRIETARY FUND**  
For the year ended September 30, 2017

	<b>Enterprise Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services	
Water and wastewater (pledged as security for revenue bonds)	\$ 1,401,960
Stormwater	50,541
Assessment and franchise fees - Sanitation	386,624
Total operating revenues	<u>1,839,125</u>
<b>OPERATING EXPENSES:</b>	
Personnel services	269,039
Contract services	137,673
Insurance	39,748
Materials and supplies	67,278
Repair and maintenance	153,159
Sanitation fees	305,747
Utilities	83,767
Miscellaneous	50,488
Depreciation	818,285
Total operating expenses	<u>1,925,184</u>
<b>OPERATING LOSS</b>	<u>(86,059)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Interest expense	(106,308)
Investment revenue	3,178
Total nonoperating revenues (expense)	<u>(103,130)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND GRANTS</b>	<u>(189,189)</u>
<b>CAPITAL CONTRIBUTIONS</b>	
Grants	22,683
Impact fees	300
Total capital contributions	<u>22,983</u>
<b>CHANGE IN NET POSITION</b>	<u>(166,206)</u>
<b>NET POSITION, beginning of year</b>	<u>12,036,733</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 11,870,527</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
For the year ended September 30, 2017

	<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 1,826,654
Payments to suppliers	(792,571)
Payments for salaries and benefits	(259,571)
Net cash flows from operating activities	<u>774,512</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets, net of related payables	(212,469)
Principal paid on long-term debt	(1,273,294)
Interest paid on borrowings	(109,470)
Proceeds from long-term debt	1,050,937
Impact fees received	300
Capital grants received, net of change in related receivable	168,835
Net cash flows from capital and related financing activities	<u>(375,161)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on invested funds	<u>3,178</u>
Net cash flows from investing activities	<u>3,178</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	402,529
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,088,308</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 1,490,837</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (86,059)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	818,285
(Increase) decrease in accounts receivable	(11,286)
Increase (decrease) in customer deposits	(1,185)
Increase (decrease) in accounts payable	45,289
Increase (decrease) in accrued wages and comp absences	607
Increase (decrease) in pension elements	8,861
Net cash flows from operating activities	<u><u>\$ 774,512</u></u>
<b>As shown in the Accompanying Financial Statements</b>	
Cash and cash equivalents	\$ 1,204,737
Restricted cash and cash equivalents	<u>286,100</u>
<b>Total cash and cash equivalents</b>	<u><u>\$ 1,490,837</u></u>
<b>Noncash financing and investing activities:</b>	
None	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
September 30, 2017

	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Investments	\$ 5,692,538
Receivables:	
Due from other governments	31,161
Due from broker	746
Accrued interest and dividends	12,052
Prepaid items	20,119
Total assets	<u>5,756,616</u>
<b>LIABILITIES</b>	
Accounts payable:	
Due to broker	<u>193,695</u>
Total liabilities	<u>193,695</u>
<b>NET POSITION</b>	
Restricted for pension benefits	<u><u>\$ 5,562,921</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
For the year ended September 30, 2017

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer:	
City	\$ 148,015
Other	14,692
Employee	6,627
On-behalf payments - State of Florida	23,803
Total contributions	<u>193,137</u>
Investment earnings:	
Interest	25,090
Dividends	48,923
Net increase in the fair value of investments	485,460
Total investment earnings	<u>559,473</u>
Less investment expense	35,363
Net investment earnings	<u>524,110</u>
Total additions	<u>717,247</u>
<b>DEDUCTIONS</b>	
Benefits	290,449
Refund of contributions	1,577
Administrative expenses	28,846
Total deductions	<u>320,872</u>
<b>CHANGE IN NET POSITION</b>	396,375
<b>NET POSITION, beginning of year</b>	<u>5,166,546</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 5,562,921</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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

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

**B. BASIS OF PRESENTATION**

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

**Government-wide Financial Statements** - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. The City's fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

In addition, the City reports the following fund types:

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



**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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

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

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

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

**CASH AND INVESTMENTS**

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

**RECEIVABLES** – In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants, sales, utility and franchise taxes. Receivables for business-type activities represent grants and unpaid bills for utility services. Allowances for uncollectible accounts receivable are based upon historical trends. Receivables are reported net of allowances for uncollectible accounts receivable where applicable. At year end this allowance amounted to \$5,195 in the business-type activities.

**INTERFUND BALANCES** – Transactions between funds that result in amounts owed are referred to as either "due from/to other funds" for current interfund loans or "advances from/to other funds" for noncurrent interfund loans. Amounts receivable from, or payable to, other funds are reflected in the account of the fund until liquidated. Any remaining balance are reported in the government-wide statements as "internal balances". Advances to and advances from between government funds in the amount of \$6,446 were eliminated in the presentation of the government-wide statements.

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

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

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

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

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

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

**INTEREST COSTS** - Interest costs are capitalized when incurred on debt the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2017.

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

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

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

The City has two items that qualify for reporting as deferred inflows of resources. The first item of deferred inflows of resources is in the governmental funds balance sheet and is report for unavailable revenues that were not received within 30 days of year-end. The second item is deferred inflows related to pensions. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as a reduction to pension expense in future reporting years.

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

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

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

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

**EQUITY CLASSIFICATIONS -**

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

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of restricted assets reduced by liabilities related to those assets. The government-wide statement of net position reports \$1,014,401 of restricted net position, of which \$1,002,468 is restricted by enabling legislation.
- c) Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (concluded)

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

*Nonspendable* — amounts that cannot be spent either because they are in nonspendable form (such as inventory) or because they are legally or contractually required to be maintained intact.

*Restricted* — amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

*Assigned* — amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. The City Commission has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.

*Unassigned* — all other spendable amounts.

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

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 2 - PROPERTY TAX CALENDAR**

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special districts and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Council prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the Polk County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2017 was 7.7716.

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

**NOTE 3 - BUDGETARY LAW AND PRACTICE**

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

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

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

Budgeted amounts are as originally adopted and as amended by the City Council. For the year ended September 30, 2017, the City Council amended the original budget on November 20, 2017.

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 4 – CASH AND INVESTMENTS**

***Custodial Credit Risk-Deposits***

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

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

At September 30, 2017, the carrying amount of the City's deposits and investments (excluding pension trust funds) is summarized below:

Cash and cash equivalents:	
Cash on hand	\$ 860
Deposits in financial institutions:	
Insured or fully collateralized bank deposits,	<u>3,967,942</u>
Total cash and cash equivalents	<u>\$3,968,802</u>

***Custodial credit risk – Investments***

Custodial credit risk for investments is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City has no formal policy regarding custodial credit risk.

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, 2017

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

***Restricted Cash***

Certain cash and cash equivalents are legally restricted in the statement of net position at September 30, 2017 as follows:

	Governmental Activities	Business-type Activities
Capital improvements - transportation	\$ 623,494	\$ -
Building permits	2,587	-
Cultural services	14,405	-
Fire protection services	87,467	-
Impact fees:		
Water	-	2,250
Sewer	-	3,000
Stormwater	-	600
Fire protection	20,192	-
General government	17,106	-
Library	10,818	-
Police	11,748	-
Parks and recreation	21,593	-
Transportation	14,890	-
Stormwater management	-	176,396
Customer deposits	-	53,405
Debt service	-	50,449
Total restricted cash	<u>\$ 824,300</u>	<u>\$ 286,100</u>

***Investments***

The City does not have a formal investment policy for dealing with investment risks and therefore follows the guidance in the Florida Statutes. The types of investments in which the City may invest are governed by section 218.415, Florida Statutes. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments. The pension trust funds have individual investment policies which set forth the allowable mix and type of investments allowed including corporate or other bonds and common stock with certain limitations.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

***Investments*** (cont...)

As of September 30, 2017, the City had the following investments at fair value:

	Governmental Activities	Fiduciary Funds	Total	Portfolio
Investment Type:				
Money market funds	\$ 7,876	\$ 216,984	\$ 224,860	3.71%
Certificates of deposit	74,862	-	74,862	1.23%
U.S. treasuries	292,982	452,876	745,858	12.29%
U.S. Gov't agencies	-	118,224	118,224	1.95%
FMPTF (a)	-	1,523,865	1,523,865	25.11%
Corporate bonds	-	1,018,461	1,018,461	16.78%
Corporate stocks	-	2,362,128	2,362,128	38.93%
Total investments	<u>\$ 375,720</u>	<u>\$ 5,692,538</u>	<u>\$ 6,068,258</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 FMPTF at 301 Bronough Street, Suite 300, Tallahassee, Florida 32301.

***Investments – Fair Value***

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

The City (excluding pension trust fund investments) has the following recurring fair value measurements as of September 30, 2017:

- U.S. Treasury securities of \$292,982 are valued using quoted market prices (Level 1 inputs).
- Money market funds of \$7,876 and certificates of deposit of \$74,862 are valued using amortized cost.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

***Investments – Fair Value*** (cont...)

The City's Pension Trust Funds have the following recurring fair value measurements as of September 30, 2017:

**General Employees' Pension Trust Fund:**

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

As of September 30, 2017, the carrying amount of the General Employees' Pension Trust Fund's investments with the FMIvT were as follows:

**General Employees' Pension Trust Fund**

FMIvT Cash Fund	\$ 8,400
FMIvT Broad Market High Quality Bond Fund	238,884
FMIvT Core Plus Fund	351,478
FMIvT High Quality Growth Fund	121,724
FMIvT Diversified Small to Mid Cap Fund	167,371
FMIvT Russell 1000 Enhanced Fund	354,521
FMIvT International Blend Fund	161,284
FMIvT Diversified Value Fund	120,203
Total	<u>\$ 1,523,865</u>

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

***Investments – Fair Value*** (cont...)

**Police Officers' Pension Trust Fund:**

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	September 30, 2017			
<b>Investment by fair value level</b>				
Debt securities				
U.S. Treasury securities	\$ 452,876	\$ -	\$ 452,876	\$ -
U.S. Agencies	118,224	-	118,224	-
Corporate bonds	1,018,461	-	1,018,461	-
Total debt securities	1,589,561	-	1,589,561	-
Equity securities				
Domestic	1,708,049	1,708,049	-	-
Foreign	621,815	621,815	-	-
Real estate	32,264	31,144	-	1,120
Total equity securities	2,362,128	2,361,008	-	1,120
Total investments by fair value level	3,951,689	\$ 2,361,008	\$ 1,589,561	\$ 1,120
<b>Investments measured at amortized cost</b>				
Money market mutual funds	216,984			
Total investments	\$ 4,168,673			

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 4 – CASH AND INVESTMENTS** (concluded)

**Investments – Fair Value** (concluded)

**Interest Rate Risk and Credit Risk**

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

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

Investment Type	Credit Rating (a)	Fair Value	Weighted Average Maturity
<b>Governmental activities:</b>			
U.S. Treasury securities	Aaa	\$ 292,982	1.95
<b>General Employees Pension Trust Fund:</b>			
FMIvT Broad Market High Quality Bond Fund	AAf/S4	238,884	6.10
FMIvT Core Plus Fund	Not Rated	351,478	2.24
		<u>\$ 590,362</u>	
<b>Police Officers' Pension Trust Fund:</b>			
U.S. Treasury securities	AAA	452,876	4.02
U.S. Agencies	AAA	118,224	2.73
Corporate bonds	Aa1 to A2	1,018,461	2.86
		<u>\$ 571,100</u>	

(a) The credit rating service listed above is Moody's except for the FMIvT investments which is rated by Fitch

**Concentration of Credit Risk**

Concentration of credit risk is defined as when five percent or more of the total investments are invested with one issuer. Investments issued or explicitly guaranteed by the United States government and investments in mutual funds or pools are excluded. There were no concentrations to disclose for the year ended September 30, 2017.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2017 was as follows:

	Balance October 1, 2016	Transfers	Increases	Decreases	Balance September 30, 2017
<b><u>Governmental Activities:</u></b>					
<b>Capital assets, not being depreciated:</b>					
Land	\$ 167,836	\$ -	\$ -	\$ -	\$ 167,836
Total capital assets, not being depreciated	167,836	-	-	\$ -	167,836
<b>Capital assets, being depreciated:</b>					
Buildings	4,363,029	-	-	-	4,363,029
Capitalized building lease	97,154	-	-	-	97,154
Improvements, other than buildings	1,572,653	-	-	-	1,572,653
Equipment	2,365,103	-	42,482	(27,990)	2,379,595
Infrastructure	1,002,972	-	-	-	1,002,972
Total capital assets, being depreciated	9,400,911	-	42,482	(27,990)	9,415,403
Less accumulated depreciation for:					
Buildings	(2,023,190)	-	(114,357)	-	(2,137,547)
Capitalized building lease	(26,717)	-	(2,429)	-	(29,146)
Improvements, other than buildings	(849,945)	-	(43,775)	-	(893,720)
Equipment	(1,838,875)	-	(93,340)	27,990	(1,904,225)
Infrastructure	(153,022)	-	(33,284)	-	(186,306)
Total accumulated depreciation	(4,891,749)	-	(287,185)	27,990	(5,150,944)
Total capital assets being depreciated, net	4,509,162	-	(244,703)	-	4,264,459
Governmental activities capital assets, net	\$ 4,676,998	\$ -	\$ (244,703)	\$ -	\$ 4,432,295
<b><u>Business-type activities:</u></b>					
<b>Capital assets, not being depreciated:</b>					
Land	\$ 80,318	\$ -	\$ -	\$ -	\$ 80,318
Construction-in-progress	1,024,492	-	27,048	-	1,051,540
Intangible assets	105,300	-	-	-	105,300
Idle assets	216,537	-	-	-	216,537
Total capital assets, not being depreciated	1,426,647	-	27,048	-	1,453,695
<b>Capital assets, being depreciated:</b>					
Water and wastewater system	18,246,815	-	93,453	-	18,340,268
Stormwater system	845,764	-	4,155	-	849,919
Machinery and equipment	661,858	-	87,813	-	749,671
Total capital assets, being depreciated	19,754,437	-	185,421	-	19,939,858
Less accumulated depreciation for:					
Water and wastewater system	(6,295,274)	-	(728,974)	-	(7,024,248)
Stormwater system	(264,304)	-	(24,577)	-	(288,881)
Machinery and equipment	(425,488)	-	(64,734)	-	(490,222)
Total accumulated depreciation	(6,985,066)	-	(818,285)	-	(7,803,351)
Total capital assets being depreciated, net	12,769,371	-	(632,864)	-	12,136,507
Business-type activities capital assets, net	\$ 14,196,018	\$ -	\$ (605,816)	\$ -	\$ 13,590,202

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 5 - CAPITAL ASSETS** (concluded)

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
General government	\$ 58,690
Public safety	58,637
Transportation	57,289
Culture	61,771
Community affairs	50,798
Total depreciation expense - governmental activities	<u>\$ 287,185</u>
 <u>Business-type Activities:</u>	
Water and wastewater system	\$ 793,708
Stormwater system	24,577
Total depreciation expense - business-type activities	<u>\$ 818,285</u>

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended September 30, 2017:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
<b><u>Long-term liabilities:</u></b>					
<i>Other liabilities:</i>					
Net pension liability	\$ 628,303	\$ -	\$ (185,601)	\$ 442,702	\$ -
Compensated absences	70,418	57,025	(61,478)	65,965	-
Total long-term liabilities	<u>\$ 698,721</u>	<u>\$ 57,025</u>	<u>\$ (247,079)</u>	<u>508,667</u>	<u>\$ -</u>
Less amounts due in one year				-	
Net long-term liabilities in excess of one year				<u>\$ 508,667</u>	
<b><u>Business-type Activities:</u></b>					
<b><u>Long-term liabilities:</u></b>					
<i>Revenue bonds payable</i>					
Water and sewer system refunding revenue bond, series 2012	\$ 1,303,268	\$ -	\$ (75,845)	\$ 1,227,423	\$ 78,184
Water and sewer system refunding revenue bond, series 2017	-	1,050,937	(4,500)	1,046,437	59,415
<i>Loans payable</i>					
Florida Department of Environmental Protection loan	1,149,135	-	(93,949)	1,055,186	95,923
USDA, Rural Utilities Service loan	1,099,000	-	(1,099,000)	-	-
Total revenue and loans payable	<u>3,551,403</u>	<u>1,050,937</u>	<u>(1,273,294)</u>	<u>3,329,046</u>	<u>233,522</u>
<i>Other liabilities:</i>					
Compensated absences	26,590	20,656	(20,178)	27,068	-
Total long-term liabilities	<u>\$ 3,577,993</u>	<u>\$ 1,071,593</u>	<u>\$ (1,293,472)</u>	<u>3,356,114</u>	<u>\$ 233,522</u>
Less amounts due in one year				(233,522)	
Net long-term liabilities in excess of one year				<u>\$ 3,122,592</u>	

**Notes to Long-Term Obligations Table**

Long term liabilities, including accumulated compensated absences are typically liquidated by the individual fund to which the liability is directly associated.

**Business-Type Activities:**

**Revenue Bonds Payable:**

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



**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

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

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

***Loans Payable:***

- The **State of Florida Department of Environmental Protection Loan** was issued in the amount of \$2,000,000 and provided funds for the collection, transmission and treatment of the wastewater system in the northwest and southeast quadrants of the City and for the planning and design of new collector sewers. The loan bears interest at 2.09% and payments are due in semiannual installments, including principal and interest installments of \$58,739 with the final payment due in June 2027.
- The **United States Department of Agriculture, Rural Utilities Service (RUS) Loan** was issued in the amount of \$1,275,000 to fund construction of the wastewater plant (phase I). The loan bore interest at 4.75% and was refunded in the current year with the issuance of the 2017 Water and Sewer Refunding Revenue Bond.
- The **2017 Water and Sewer Refunding Revenue Bond** was issued June 23, 2017 to refund the United States Department of Agriculture, Rural Utilities Service Loan. The refunded loan had an outstanding principal of \$1,050,93 as of the refunding date and was paid off at that time.

The new bonds bear interest at 2.24% and are payable semiannually on each March 1 and September 1 with a final maturity on September 1, 2032 and requires the maintenance of a sinking fund. The 2017 Water and Sewer Refunding Bond is on parity with the 2012 Series Water and Sewer Revenue Refunding Bond. The cash flow to service the new debt to maturity is \$588,168 less than the cash flow to service the old debt resulting in an economic gain on the refunding of \$303,788 discounted at 2.24%.

- The **State of Florida Department of Environmental Protection Loan** is secured by the net revenues of the water and wastewater system. This loan is subordinate to the **2012 and 2017 Water and Sewer Refunding Revenue Bonds** which are secured by the same revenue. These loans require the maintenance of sinking and reserve funds at various specified amounts and require a minimum debt service coverage of 115% and 120%, respectively.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 6 - LONG-TERM OBLIGATIONS** (concluded)

**Notes to Long-Term Obligations Table** (concluded)

**Maturities:** Annual requirements to repay all long-term bonds and notes payable for business-type activities as of September 30, 2017, are as follows:

	<u>Business-type Activities</u>		
<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 233,521	\$ 81,630	\$ 315,151
2019	239,286	75,865	315,151
2020	245,197	69,955	315,152
2021	251,259	63,892	315,151
2022	257,475	57,675	315,150
2023-2027	1,386,327	189,430	1,575,757
2028-2032	715,981	42,087	758,068
Total	<u>\$ 3,329,046</u>	<u>\$ 580,534</u>	<u>\$3,909,580</u>

**NOTE 7 – PLEDGED REVENUES**

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

Gross revenues (a)	\$ 1,405,138
Less:	
Operating expenses (b)	(668,191)
Net available revenue - Revenue bonds	<u>\$ 736,947</u>
Debt service requirements - Revenue bonds	\$ 108,438
Coverage - Revenue bonds	<u>680%</u>
Net available revenue - Revenue bonds	\$ 736,947
Required net revenues for Revenue bonds	(130,126)
Net available revenue - FDEP	<u>\$ 606,821</u>
Debt service requirements - FDEP	\$ 135,100
Coverage - FDEP	<u>449%</u>

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

(b) Excludes sanitation expenses (\$352,268), stormwater expenses (\$111,017), and water and wastewater depreciation expense (\$793,708).

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 7 – PLEDGED REVENUES** (concluded)

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

<u>Pledged Revenue</u>	<u>Revenue Pledged Through</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Revenue</u>	<u>% of Revenues to Principal and Interest Paid</u>
Water and wastewater net revenues	9/15/2043	\$ 3,909,580	\$ 331,827	\$ 736,947	222.09%

**NOTE 8 – PENSION PLANS**

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

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

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

**General Employees' Pension Trust Fund**

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

As of September 30, 2017, the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	8
Inactive employees entitled to but not receiving benefits or refund of contributions	12
Active plan members	16

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

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

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

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

**Contributions** – The City Council establishes and may amend by ordinance the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. Plan members contribute 1% of pensionable earnings. The City's actuarially required contribution for the year ended September 30, 2017 was \$40,788. Actual contributions for the year equaled \$35,973, or 88% of the required contribution.

**Net Pension Liability** – The City's net pension liability was measured as of September 30, 2017.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2016, that was updated to September 30, 2017 (City's measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2017
Valuation date	October 1, 2016
Discount rate	7.00% per year (2.92% per year is attributable to long term inflation); this rate was used to discount all future benefit payments.
Salary increases	5.50% per year, plus average earnings are loaded by 2.50% for accumulated leave payments upon termination of employment
Cost of living increases	None is assumed

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Core bonds	16.00%	0.58%
Multi-sector	24.00%	1.08%
U.S. large cap equity	39.00%	6.08%
U.S. small cap equity	11.00%	6.83%
Non-U.S. equity	10.00%	6.83%
Total or weighted arithmetic average	<u>100.00%</u>	<u>4.08%</u>

**Discount Rate** – The discount rate used to measure the total pension liability was 7.00%. This discount rate was based on the expected rate of return on pension plan investments of 4.08% and a 2.92% per year attributable to long term inflation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

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

The components of the net pension liability (asset) for the Plan as of September 30, 2017, were as follows:

Total pension liability	\$ 1,174,526
Plan fiduciary net position	<u>(1,523,865)</u>
Net pension liability (asset)	<u><u>\$ (349,339)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	130%

***Changes in City's Net Pension (Asset) Liability*** – Changes in the City's net pension (asset) liability for the year ending September 30, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2016	\$ 1,125,835	\$ 1,363,565	\$ (237,730)
Changes for the year:			
Service cost	63,058	-	63,058
Interest	81,031	-	81,031
Difference between actual and expected experience	(148,383)	-	(148,383)
Change in assumptions	106,024	-	106,024
Contributions - City	-	35,973	(35,973)
Contributions - employee	-	5,981	(5,981)
Net investment income	-	178,460	(178,460)
Benefit payments, including refunds of employee contributions	(53,039)	(53,039)	-
Administrative expense	-	(7,075)	7,075
Net changes	<u>48,691</u>	<u>160,300</u>	<u>(111,609)</u>
Balances at September 30, 2017	<u><u>\$ 1,174,526</u></u>	<u><u>\$ 1,523,865</u></u>	<u><u>\$ (349,339)</u></u>

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

Current Discount Rate	1% Decrease	Current Rate	1% Increase
7.00%	\$ (172,908)	\$ (349,339)	\$ (494,876)

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

**General Employees' Pension Trust Fund** (concluded)

***Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan*** – For the year ended September 30, 2017, the City recognized pension expense of \$73,468. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,409	\$ 214,982
Change in assumptions	289,450	-
Net difference between projected and actual earnings on Plan investments	50,572	75,544
Total	<u>\$ 428,431</u>	<u>\$ 290,526</u>

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

<u>Year ending September 30,</u>	<u>Amount</u>
2018	\$ 20,182
2019	20,184
2020	(5,103)
2021	(3,003)
2022	14,308
Thereafter	91,337
Total	<u>\$ 137,905</u>

***Payables to Pension Plan*** – At September 30, 2017, the City reported no payables for outstanding contributions.

***Money-weighted Rate of Return*** – For the year ended September 30, 2017, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts invested for the plan was 13.4%.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

**Police Officers' Pension Trust**

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

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

As of September 30, 2017, the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	9
Inactive employees entitled to but not receiving benefits	3
Active plan members	1

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

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

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

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

Pre-retirement death benefits include 50% of average final compensation continued to spouse until death or 15% to each unmarried child until age 18 (22 if student) with a maximum total to all children of 50% for service connected members. The pre-retirement death benefits for non-service connected members is the same as for service connected except the benefit for spouse or maximum benefit for children is 25% of average final compensation.



**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

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

The minimum death benefit is the actuarial equivalent of Member's accrued benefit payable to beneficiary for life. The death benefit after retirement is payable in accordance with the optional form of pension selected at time of retirement. The cost - of - living adjustment for retirees is up to 3% per year beginning on the October 1 following normal retirement age.

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

For the year ended September 30, 2017, the excise tax totaled \$23,803 and the contribution from the PCSO totaled \$14,692. Both are treated as on-behalf payments with the proceeds recorded as operating grants and public safety expenses/expenditures in the government-wide and general fund financial statements. Plan members are required to contribute 1% of their salary. The City's actuarially required contribution for the year ended September 30, 2017 was \$154,869. Actual contributions for the year from the City and Sherriff's Office equaled \$150,537, or 100% of the required contributions.

**Net Pension Liability** – The City's net pension liability was measured as of September 30, 2016.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2015, that was updated to September 30, 2016 (City's measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2016	September 30, 2017
Valuation date	October 1, 2015	October 1, 2016
Inflation	2.30%	2.50%
Salary increases	4.00%	4.00%
Discount rate	7.50%	7.40%
Investment rate of return	7.50%	7.40%

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	6.34%
International equity	12.50%	5.83%
Emerging markets	2.50%	7.60%
Fixed income	30.00%	2.17%
Master limited partnerships	10.00%	5.50%
Total or weighted arithmetic average	<u>100.00%</u>	<u>4.97%</u>

**Discount Rate** - A single discount rate of 7.5% was used to measure the total pension liability as of the City's measurement date. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.5%) was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

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

**Changes in City's Net Pension Liability** – Changes in the City's net pension (asset) liability for the year ending September 30, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 4,147,349	\$ 3,519,046	\$ 628,303
Changes for the year:			
Service cost	21,938	-	21,938
Interest	305,548	-	305,548
Difference between actual and expected experience	47,532	-	47,532
Changes of assumptions	(95,096)	-	(95,096)
Changes in the excess State money	(9,045)	-	(9,045)
Contributions - City	-	96,142	(96,142)
Contributions - State	-	21,765	(21,765)
Contributions - employee	-	1,262	(1,262)
Contributions - other	-	27,915	(27,915)
Net investment income	-	331,941	(331,941)
Benefit payments, including refunds of employee contributions	(172,543)	(172,543)	-
Administrative expense	-	(22,547)	22,547
Net changes	98,334	283,935	(185,601)
Balances at September 30, 2016	\$ 4,245,683	\$ 3,802,981	\$ 442,702

**Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City as of the measurement date (September 30, 2016), and as of the Plan's financial reporting date (September 30, 2017), calculated using the current discount rate of 7.5%, as well as what the plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5) than the current discount rate:

As of	Current Discount Rate	1% Decrease	Current Rate	1% Increase
September,	Rate			
9/30/2016	7.50%	\$ 1,076,507	\$ 442,702	\$ (70,102)
9/30/2017	7.40%	1,143,742	520,818	17,265

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (cont...)

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

***Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan*** – For the year ended September 30, 2017, the City recognized pension expense of \$98,786. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Plan investments	241,647	55,851
City contributions subsequent to the measurement date	150,536	-
Total	<u>\$ 392,183</u>	<u>\$ 55,851</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2016 will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Remaining amounts reported as deferred inflows and outflows of resources will be recognized in pension expense in the years and amounts shown below.

<u>Year ending September 30,</u>	<u>Amount</u>
2018	\$ 68,751
2019	68,750
2020	62,258
2021	(13,963)
Total	<u>\$ 185,796</u>

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 8 – PENSION PLANS** (concluded)

**Police Officers' Pension Trust** (concluded)

***Payables to Pension Plan*** – At September 30, 2017, the City reported no payables for outstanding contributions.

***Money-weighted Rate of Return*** – For the year ended September 30, 2017, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested for the plan was 9.35%.

***Net Pension Liability as of the Plan's Financial Reporting Date*** - The components of the net pension liability as of the Plan's financial reporting date of September 30, 2017, which differs from the City's measurement date of September 30, 2016, was as follows:

Total pension liability	\$ 4,559,874
Plan fiduciary net position	<u>(4,039,056)</u>
Net pension liability (asset)	<u>\$ 520,818</u>
Plan fiduciary net position as a percentage of the total pension liability	89%

**NOTE 9 – OTHER EMPLOYEE BENEFIT 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 of 1% of his salary. All contributions are 100% vested. The City's contributions to this plan for the year ended September 30, 2017 were \$4,312.

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS**

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

**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 or 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 post-employment benefits performed. Since the City is required to co-mingle retirees and active employees in determining health care 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 22 active employees. Of these, 1 is fully eligible for benefits and 21 are not yet fully eligible. There are no retired participants.

**Annual OPEB Cost and Net OPEB Obligations** – 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 the 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
Interest on net OPEB obligation	-
Adjustment to required contribution	-
Annual OPEB cost	<u>2,000</u>
Actual employer contributions made	-
Interest on employer contributions	-
Total employer contributions	<u>-</u>
Change in net OPEB obligation	2,000
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 2,000</u></u>

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS** (continued...)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
8/1/2010	\$ -	\$ 6,000	\$ 6,000	0.00%	\$ 474,000	1.27%

**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	August 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level-dollar payment
Investment return	4.00% oer annum
Healthcare cost trend rate(s):	
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 be.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS** (concluded)

**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.

**NOTE 11 – SEGMENT INFORMATION FOR ENTERPRISE FUND**

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivables, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended September 30, 2017, is presented below:

	Water System	Sewer System	Total Water and Sewer System
<b>Condensed statement of revenue, expenses and changes in net position:</b>			
Operating revenues	\$ 566,028	\$ 835,932	\$ 1,401,960
Operating expenses			
Personnel services	(70,506)	(135,558)	(206,064)
Contract services	(36,713)	(65,574)	(102,287)
Insurance	(14,401)	(18,220)	(32,621)
Materials and supplies	(31,708)	(32,038)	(63,746)
Repair and maintenance	(57,751)	(72,842)	(130,593)
Utilities	(32,086)	(51,681)	(83,767)
Miscellaneous	(9,271)	(39,842)	(49,113)
Depreciation	(213,718)	(579,990)	(793,708)
Nonoperating revenues / (expenses)			
Interest expense	-	(106,308)	(106,308)
Grants	22,683	-	22,683
Investment revenue	3,178	-	3,178
Change in net position	<u>\$ 125,735</u>	<u>\$ (266,121)</u>	<u>\$ (140,386)</u>

**Summary information**

**from statement of net position:**

Capital assets, net	<u>\$ 13,590,202</u>
Long-term debt, including current portion	<u>\$ 3,329,046</u>



**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017

**NOTE 12 - RISK MANAGEMENT AND LITIGATION**

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

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2017, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

The City is under contract with the Polk County Sheriff's Office to provide law enforcement services to the City through the year ended September 30, 2021. The City is required to provide the Sheriff with adequate office space at the City's expense and the contract can be terminated by either party upon 365 days written notice. The City paid \$816,490 for the year ended September 30, 2017. The contract calls for the following minimum costs going forward:

Fiscal Year Ending September 30,	Annual Cost
2018	\$ 815,907
2019	\$ 815,907
2020	\$ 832,225
2021	\$ 848,870



*City of Frostproof*  
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## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FROSTPROOF, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
for the year ended September 30, 2017

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
			<b>(budgetary</b>	<b>Favorable</b>
			<b>basis)</b>	<b>(Unfavorable)</b>
<b>REVENUES</b>				
Taxes:				
Property	\$ 889,320	\$ 909,380	\$ 909,939	559
Franchise and utility taxes	587,470	612,260	614,022	1,762
Licenses and permits	20,000	35,900	30,209	(5,691)
Intergovernmental revenue	675,230	682,010	672,408	(9,602)
Charges for services	315,820	356,420	356,418	(2)
Fines and forfeitures	1,200	6,430	6,438	8
Investment income	10,000	11,020	8,375	(2,645)
Other	26,000	31,280	33,755	2,475
Total revenues	<u>2,525,040</u>	<u>2,644,700</u>	<u>2,631,564</u>	<u>(13,136)</u>
<b>EXPENDITURES</b>				
General government	530,830	598,520	579,895	18,625
Public safety	1,220,840	1,269,590	1,234,056	35,534
Transportation	432,370	416,770	404,538	12,232
Culture	196,830	198,620	188,865	9,755
Community affairs	80,730	67,390	58,560	8,830
Capital outlay	485,370	490,120	43,348	446,772
Total expenditures	<u>2,946,970</u>	<u>3,041,010</u>	<u>2,509,262</u>	<u>531,748</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<u>\$ (421,930)</u>	<u>\$ (396,310)</u>	<u>\$ 122,302</u>	<u>\$ 518,612</u>

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

**CITY OF FROSTPROOF, FLORIDA**  
**POSTEMPLOYMENT HEALTH BENEFITS OTHER THAN PENSIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
8/1/2010	\$ -	\$ 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.

**CITY OF FROSTPROOF, FLORIDA**  
**GENERAL EMPLOYEES' PENSION TRUST FUND**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Measurement date	9/30/2017	9/30/2016	9/30/2015
Reporting date	9/30/2017	9/30/2016	9/30/2015
Total pension liability			
Service cost	\$ 63,058	\$ 48,978	\$ 31,717
Interest	81,031	59,434	81,166
Change in assumptions	106,024	236,289	-
Difference between expected and actual experience - demographic assumptions	(148,383)	106,809	(114,776)
Benefit payments, including refunds of employee contributions	(53,039)	(156,713)	(57,251)
Net change in total pension liability	48,691	294,797	(59,144)
Total pension liability, beginning	1,125,835	831,038	890,182
Total pension liability, ending (a)	<u>\$ 1,174,526</u>	<u>\$ 1,125,835</u>	<u>\$ 831,038</u>
Plan fiduciary net position			
Contributions - City	\$ 35,973	33,151	\$ 32,578
Contributions - Employee	5,981	5,521	5,394
Net investment income (loss)	178,460	100,567	(2,720)
Benefit payments, including refunds of employee contributions	(53,039)	(156,713)	(52,896)
Administrative expenses	(7,075)	(8,087)	(7,300)
Net change in plan fiduciary net position	160,300	(25,561)	(24,944)
Plan fiduciary net position, beginning	1,363,565	1,389,126	1,414,070
Plan fiduciary net position, ending (b)	<u>\$ 1,523,865</u>	<u>\$ 1,363,565</u>	<u>\$ 1,389,126</u>
Net pension liability (asset) (a)-(b)	<u>\$ (349,339)</u>	<u>\$ (237,730)</u>	<u>\$ (558,088)</u>
Plan fiduciary net position as a percentage of total pension liability	129.74%	121.12%	167.16%
Covered employee payroll	\$ 620,486	\$ 510,322	\$ 509,811
Net pension liability as a percentage of covered employee payroll	Not Applicable	Not Applicable	Not Applicable

**CITY OF FROSTPROOF, FLORIDA**  
**POLICE OFFICERS' PENSION TRUST FUND**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Measurement date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Reporting date	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total pension liability				
Service cost	\$ 10,689	\$ 21,940	\$ 20,535	\$ 28,891
Interest	310,266	305,548	307,105	292,750
Change in excess State money	-	(9,046)	-	-
Difference between expected and actual experience - demographic assumptions	100,093	47,532	(202,226)	-
Change of assumptions	132,130	(95,096)	-	-
Benefit payments, including refunds of employee contributions	(238,987)	(172,544)	(122,614)	(121,165)
Net change in total pension liability	314,191	98,334	2,800	200,476
Total pension liability, beginning	4,245,683	4,147,349	4,144,549	3,944,073
Total pension liability, ending (a)	<u>\$ 4,559,874</u>	<u>\$ 4,245,683</u>	<u>\$ 4,147,349</u>	<u>\$ 4,144,549</u>
Plan fiduciary net position				
Contributions - City	\$ 112,042	\$ 124,057	\$ 182,172	\$ 159,813
Contributions - State of Florida	23,803	21,765	22,367	24,244
Contributions - Employee	646	1,262	1,281	3,096
Contributions - Others	14,692			
Net investment income (loss)	345,650	331,941	(108,445)	233,629
Benefit payments, including refunds of employee contributions	(238,987)	(172,543)	(122,614)	(121,165)
Administrative expenses	(21,771)	(22,547)	(19,737)	(32,810)
Net change in plan fiduciary net position	236,075	283,935	(44,976)	266,807
Plan fiduciary net position, beginning	3,802,981	3,519,046	3,564,022	3,297,215
Plan fiduciary net position, ending (b)	<u>\$ 4,039,056</u>	<u>\$ 3,802,981</u>	<u>\$ 3,519,046</u>	<u>\$ 3,564,022</u>
Net pension liability (asset) (a)-(b)	<u>\$ 520,818</u>	<u>\$ 442,702</u>	<u>\$ 628,303</u>	<u>\$ 580,527</u>
Plan fiduciary net position as a percentage of total pension liability	88.58%	89.57%	84.85%	85.99%
Covered employee payroll	\$ 64,601	\$ 126,208	\$ 128,143	\$ 173,421
Net pension liability as a percentage of covered employee payroll	806.21%	350.77%	490.31%	334.75%

**CITY OF FROSTPROOF, FLORIDA**  
**GENERAL EMPLOYEES' PENSION TRUST FUND**  
**SCHEDULE OF CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal year end	(1) Actuarially Determined Contribution	(2) Contributions Recognized by the Plan	(3) Difference between (1) and (2)	Covered Payroll	Column (2) as a % of Covered Payroll
September 30, 2017	40,788	35,973	(4,815)	620,486	5.80%
September 30, 2016	27,165	33,151	5,986	510,322	6.50%
September 30, 2015	8,576	32,578	24,002	509,811	6.39%
September 30, 2014	31,112	161,111	129,999	Not Available	Not Available
September 30, 2013	35,033	35,033	-	550,447	6.36%
September 30, 2012	34,473	34,473	-	Not Available	Not Available
September 30, 2011	34,882	34,882	-	447,774	7.79%
September 30, 2010	31,081	31,081	-	Not Available	Not Available
September 30, 2009	29,721	29,721	-	353,115	8.42%
September 30, 2008	20,185	20,185	-	Not Available	Not Available
September 30, 2007	19,393	19,393	-	Not Available	Not Available

**CITY OF FROSTPROOF, FLORIDA**  
**GENERAL EMPLOYEES' PENSION TRUST FUND**  
**NOTES TO SCHEDULE OF CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Valuation date            October 1, 2016

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

Methods and assumptions used to determine contribution amounts:

Discount rate	7.00% per annum (2.92% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments
Salary increases:	5.50% per annum, plus average earnings are loaded by 2.50% to account for accumulated leave payments upon termination of employment
Cost-of-living increases:	None assumed
Mortality basis:	Sex-distinct rates set forth in the RP-2000 Mortality Table, with full generational improvements in mortality using Scale BB.
Retirement:	20% of eligible participants are assumed to retire at age 62, 10% of eligible participants are assumed to retire at each of ages 63 and 64, and 100% of eligible participants are assumed to retire at 65.
Other decrements:	With respect to participants with less than seven years of service, termination rates are service-based and range from 8.70% with less than one year of service to 6.00% with between six and seven years of service; with respect to all other participants, termination rates are age-based and range from 5.40% at age 20 to 0.00% at age 60,
Non-investment expenses:	Projected benefit liability is loaded by 4.50% to account for anticipated administrative expenses.
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required.
Changes:	Since the prior measurement date, the mortality basis was changed from a 2007 projection of the RP-2000 Mortality Table for annuitants to the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.



**CITY OF FROSTPROOF, FLORIDA**  
**POLICE OFFICERS' PENSION TRUST FUND**  
**SCHEDULE OF CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

<u>Fiscal year end</u>	<u>(1) Actuarially Determined Contribution</u>	<u>(2) Contributions Recognized by the Plan</u>	<u>(3) Difference between (1) and (2)</u>	<u>Covered Payroll</u>	<u>Column (2) as a % of Covered Payroll</u>
September 30, 2017	150,536	150,536	-	64,601	233.02%
September 30, 2016	154,869	154,869	-	126,208	122.71%
September 30, 2015	204,539	204,539	-	128,143	159.62%
September 30, 2014	190,052	190,052	-	173,421	109.59%

**CITY OF FROSTPROOF, FLORIDA**  
**POLICE OFFICERS' PENSION TRUST FUND**  
**NOTES TO SCHEDULE OF CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Valuation date            October 1, 2015

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

Methods and assumptions used to determine contribution amounts:

Actuarial cost method:            Entry age normal actuarial cost method. The following loads are applied:  
    Interest - a half year, based on the current 7.5% assumption. Salary - a half  
    year, based on the current 4.0% assumption.

Amortization method            Level percentage of pay, closed

Remaining amortization period: 22 years as of October 1, 2015.

Salary increases:                 4.0% per year up to the assumed retirement age. Also the projected salary at  
    retirement is increased 10% to account for non-regular compensation.

Cost-of-living increases:        3.0% per year at retirement

Mortality basis:                 RP-2000 Combined Healthy Mortality Table, Sex Distinct.

Retirement age:                Earlier of age 50 or the completion of 20 years of service. Also, any Member  
    who has reached Normal Retirement is assumed to continue employment for  
    on additional year.

Early retirement                 Commencing with the earliest Early Retirement Age (45), Members are  
    assumed to retire with an immediate subsidized benefit at the rate of 5% per  
    year.

Disability and Termination:    See table below. It is assumed that 75% of disablements and active Member  
    deaths are service related.

Payroll growth:                 0.00%

Changes:                         The actuarial assumptions did not change from previous measurement date

Termination and disability rate table

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

**CITY OF FROSTPROOF, FLORIDA**  
**GENERAL EMPLOYEES' PENSION TRUST FUND AND**  
**POLICE OFFICERS' PENSION TRUST FUND**  
**SCHEDULE OF INVESTMENT RETURNS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**General Employees' Pension Trust Fund:**

Fiscal year ended	Annual money-weighted rate of return net of investment expenses
September 30, 2017	13.40%
September 30, 2016	7.80%
September 30, 2015	0.60%
September 30, 2014	8.57%
September 30, 2013	12.00%
September 30, 2012	17.81%
September 30, 2011	1.87%
September 30, 2010	9.08%
September 30, 2009	1.45%
September 30, 2008	-12.56%

**Police Officers' Pension Trust Fund:**

Fiscal year ended	Annual money-weighted rate of return net of investment expenses
September 30, 2017	9.35%
September 30, 2016	9.48%
September 30, 2015	-3.19%
September 30, 2014	6.74%



*City of Frostproof*  
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## **SUPPLEMENTARY INFORMATION**

## **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 has in prior years received and may be eligible to receive future 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, 2017

	<b>City Hall Restoration Expendable Trust Fund</b>	<b>Latt Maxcy Memorial Library Expendable Trust Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,078	\$ 10,327	\$ 14,405
Total assets	<u>4,078</u>	<u>10,327</u>	<u>14,405</u>
<b>LIABILITIES</b>			
Advances from other funds	<u>6,446</u>	<u>-</u>	<u>6,446</u>
Total liabilities	<u>6,446</u>	<u>-</u>	<u>6,446</u>
<b>FUND BALANCES</b>			
Restricted for:			
Cultural activities	-	10,327	10,327
Unassigned	<u>(2,368)</u>	<u>-</u>	<u>(2,368)</u>
Total fund balances (deficit)	<u>(2,368)</u>	<u>10,327</u>	<u>7,959</u>
Total liabilities and fund balances	<u>\$ 4,078</u>	<u>\$ 10,327</u>	<u>\$ 14,405</u>

**CITY OF FROSTPROOF, FLORIDA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2017

	<b>City Hall Restoration Expendable Trust Fund</b>	<b>Latt Maxcy Memorial Library Expendable Trust Fund</b>	<b>Total</b>
<b>REVENUES:</b>			
Charges for services	\$ 2,288	\$ -	\$ 2,288
Investment income	5	-	5
Other	1,265	4,805	6,070
Total revenues	<u>3,558</u>	<u>4,805</u>	<u>8,363</u>
<b>EXPENDITURES:</b>			
Current:			
Culture / Recreation	<u>1,700</u>	<u>489</u>	<u>2,189</u>
Total expenditures	<u>1,700</u>	<u>489</u>	<u>2,189</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,858</u>	<u>4,316</u>	<u>6,174</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,858	4,316	6,174
<b>FUND BALANCE, beginning of year</b>	<u>(4,226)</u>	<u>6,011</u>	<u>1,785</u>
<b>FUND BALANCE, end of year</b>	<u>\$ (2,368)</u>	<u>\$ 10,327</u>	<u>\$ 7,959</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 2007.



**CITY OF FROSTPROOF, FLORIDA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
September 30, 2017

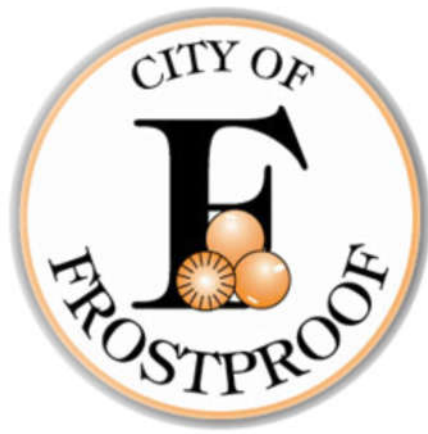
	<b>General Employees' Pension Trust Fund</b>	<b>Police Officers' Pension Trust Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Investments	\$ 1,523,865	\$ 4,168,673	\$ 5,692,538
Receivables:			
Due from other governments	-	31,161	31,161
Due from broker	-	746	746
Accrued interest and dividends	-	12,052	12,052
Prepaid items	-	20,119	20,119
Total assets	<u>1,523,865</u>	<u>4,232,751</u>	<u>5,756,616</u>
<b>LIABILITIES</b>			
Accounts payable:			
Due to broker	<u>-</u>	<u>193,695</u>	<u>193,695</u>
Total liabilities	<u>-</u>	<u>193,695</u>	<u>193,695</u>
<b>NET POSITION</b>			
Restricted for pension benefits	<u>\$ 1,523,865</u>	<u>\$ 4,039,056</u>	<u>\$ 5,562,921</u>

**CITY OF FROSTPROOF, FLORIDA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**

For the year ended September 30, 2017

	<b>General Employees' Pension Trust Fund</b>	<b>Police Officers' Pension Trust Fund</b>	<b>Total</b>
<b>ADDITIONS</b>			
Contributions:			
Employer:			
City	\$ 35,973	\$ 112,042	\$ 148,015
Other	-	14,692	14,692
Employee	5,981	646	6,627
On-behalf payments - State of Florida	-	23,803	23,803
Total contributions	<u>41,954</u>	<u>151,183</u>	<u>193,137</u>
Investment earnings:			
Interest	-	25,090	25,090
Dividends	-	48,923	48,923
Net increase in the fair value of investments	<u>181,290</u>	<u>304,170</u>	<u>485,460</u>
Total investment earnings	<u>181,290</u>	<u>378,183</u>	<u>559,473</u>
Less investment expense	<u>2,830</u>	<u>32,533</u>	<u>35,363</u>
Net investment earnings	<u>178,460</u>	<u>345,650</u>	<u>524,110</u>
Total additions	<u>220,414</u>	<u>496,833</u>	<u>717,247</u>
<b>DEDUCTIONS</b>			
Benefits	51,462	238,987	290,449
Refund of contributions	1,577	-	1,577
Administrative expenses	<u>7,075</u>	<u>21,771</u>	<u>28,846</u>
Total deductions	<u>60,114</u>	<u>260,758</u>	<u>320,872</u>
<b>CHANGE IN NET POSITION</b>	160,300	236,075	396,375
<b>NET POSITION, beginning of year</b>	<u>1,363,565</u>	<u>3,802,981</u>	<u>5,166,546</u>
<b>NET POSITION, end of year</b>	<u>\$ 1,523,865</u>	<u>\$ 4,039,056</u>	<u>\$ 5,562,921</u>



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*City of Frostproof*  
*The Friendly City*

## **OTHER REPORTS**

**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 and  
Members of the City Council  
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, business-type activities, and each major fund of the City of Frostproof, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Frostproof, Florida's basic financial statements and have issued our report thereon dated February 19, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Frostproof, Florida'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 of Frostproof, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Frostproof, Florida's internal control.

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

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



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

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### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Baylis & Company PA*

**Baylis & Company PA**

Lakeland, Florida  
February 19, 2018



**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION  
CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL  
STANDARDS, AT-C SECTION 315, REGARDING COMPLIANCE REQUIREMENTS  
IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

We have examined the City of Frostproof, Florida's compliance with requirements of Chapter 10.550, Rules of the Auditor General, concerning the investment of public funds during the year ended September 30, 2017. Management is responsible for the City of Frostproof's compliance with those requirements. Our responsibility is to express an opinion on the City of Frostproof's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City of Frostproof, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Frostproof, Florida, complied, in all material respects with the aforementioned requirements for the year ended September 30, 2017.

*Baylis & Company PA*

**Baylis & Company PA**

Lakeland, Florida  
February 19, 2018



## **MANAGEMENT LETTER**

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

### **Report on the Financial Statements**

We have audited the financial statements of the City of Frostproof, Florida as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February 19, 2018.

### **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 Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 19, 2018, 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.





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

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### **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 legal authority of the City of Frostproof, Florida, see footnote A of the summary of significant accounting policies in the notes to the financial statements.

### **Financial Condition and Management**

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

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 of Frostproof, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

### **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the (name of entity) for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.



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

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### **Additional Matters**

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 did not have any such findings.

### **Purpose of this Letter**

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

*Baylis & Company PA*

### **Baylis & Company PA**

Lakeland, Florida  
February 19, 2018

