



# **POLK CITY, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

# **TABLE OF CONTENTS**

## **FINANCIAL SECTION**

**Management’s Discussion and Analysis** (Required Supplementary Information) . . . . M1

**Independent Auditor’s Report** . . . . . 1-2

### **Basic Financial Statements:**

#### **Government-wide Statements:**

Statement of Net Position . . . . . 3

Statement of Activities . . . . . 4

#### **Governmental Funds:**

Balance Sheet - Governmental Funds . . . . . 5

Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position . . . . . 6

Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Governmental Funds . . . . . 7

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities . . . . . 8

#### **Proprietary Funds:**

Statement of Net Position - Proprietary Funds . . . . . 9

Statement of Revenues, Expense and Changes in Fund Net Position -  
Proprietary Funds . . . . . 10

Statement of Cash Flows - Proprietary Funds . . . . . 11

**Notes to Financial Statements** . . . . . 12-27

## **REQUIRED SUPPLEMENTAL INFORMATION**

Budgetary Comparison Schedule - General Fund (Unaudited) . . . . . 28

## **OTHER REPORTS**

Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards* . . . . . 29-30

Independent Accountant’s Report on Compliance with Section 218.415, *Florida  
Statutes* . . . . . 31

Management Letter . . . . . 32-33



**(This page intentionally left blank)**

# **FINANCIAL SECTION**

**Polk City**  
**Management's Discussion and Analysis**  
**September 30, 2014**

---

As management of Polk City, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 3.

**City Name Change**

Ordinance No. 2014-02, approved by the City's electors, effective April 1, 2014, changed the City's name from the City of Polk City to Polk City.

**Financial Highlights**

- The assets of the City exceed its liabilities at the close of the most recent fiscal year by \$4,167,207. Of this amount \$1,319,389 (unrestricted net position) may be used to meet the City's obligations which is an increase of \$304,895 over the prior year.
- The City's unrestricted cash and cash equivalents totaled \$1,484,277, an increase of \$129,329 over the prior year.
- As of the close of the current fiscal year, the City's general fund (governmental fund level) reported ending fund balance of \$1,016,348, an increase of \$187,282 in comparison with the prior year. Of this total amount, \$475,555 is available for spending at the government's discretion.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all the City's assets, deferred inflows of resources, liabilities and deferred outflows of resources, with the residual measure reported as net position. The focus of the *Statement of Net Position* (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net cost of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues.

**Polk City**  
**Management's Discussion and Analysis**  
**September 30, 2014**

---

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, library, law enforcement, building and zoning, parks and recreation, and stormwater utility. The business-type activities include water and sewer.

### **Fund Financial Statements**

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. 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. The basic Governmental Funds financial statements can be found on pages 5 - 8.

The City maintains one governmental fund – the General Fund. Information is presented separately for each fund in the governmental fund Balance Sheet and the governmental fund Statement of Revenue, Expenditures and Change in Fund Balances for the General Fund.

**Proprietary Funds** - The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its water and wastewater activities. The basic proprietary fund financial statements can be found on pages 9 - 11 of this report.

### **Notes to the 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. They can be found on pages 12 - 27 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* consisting of the budgetary comparison statement for the general fund which can be found on page 28 of this report.

**Polk City  
Management's Discussion and Analysis  
September 30, 2014**

**Government-Wide Financial Analysis**

The following table reflects a summary of Net Position compared to prior year. For more detailed information see the Statement of Net Position on page 3.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
<b>Assets</b>						
Current and other assets	\$ 908,639	\$ 1,101,344	\$ 2,593,781	\$ 2,337,770	\$ 3,502,420	\$ 3,439,114
Capital assets	3,013,737	2,908,816	12,693,788	12,422,422	15,707,525	15,331,238
<b>Total assets</b>	<b>\$ 3,922,376</b>	<b>\$ 4,010,160</b>	<b>\$ 15,287,569</b>	<b>\$ 14,760,192</b>	<b>\$ 19,209,945</b>	<b>\$ 18,770,352</b>
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ 1,724,912	\$ 1,529,100	\$ 12,237,808	\$ 12,323,815	\$ 13,962,720	\$ 13,852,915
Other liabilities	85,336	90,144	593,009	660,086	678,345	750,230
<b>Total liabilities</b>	<b>\$ 1,810,248</b>	<b>\$ 1,619,244</b>	<b>\$ 12,830,817</b>	<b>\$ 12,983,901</b>	<b>\$ 14,641,065</b>	<b>\$ 14,603,145</b>
<b>Net Position</b>						
Net Invested in capital assets	\$ 1,477,264	\$ 1,411,052	\$ 1,064,008	\$ 98,607	\$ 2,541,272	\$ 1,509,659
Restricted	171,897	228,407	865,487	1,109,752	1,037,384	1,338,159
Unrestricted	462,967	751,457	527,257	567,932	990,224	1,319,389
<b>Total net position</b>	<b>\$ 2,112,128</b>	<b>\$ 2,390,916</b>	<b>\$ 2,456,752</b>	<b>\$ 1,776,291</b>	<b>\$ 4,568,880</b>	<b>\$ 4,167,207</b>

Thirty-six percent of the City's net position reflect its investment in capital assets (land, buildings, improvements, infrastructure, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding due to the deficit unrestricted net position. 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.

Thirty-three percent of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is normally available to meet the City's ongoing obligations to citizens and creditors.

**Polk City  
Management's Discussion and Analysis  
September 30, 2014**

The following table reflects the condensed Statement of Activities for the current and previous year. For more detailed information see the Statement of Activities on page 4.

**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>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 356,752	\$ 374,529	\$ 1,891,475	\$ 1,965,698	\$ 2,248,227	\$ 2,340,227
Operating grants and contributions	38,422	35,210	-	-	38,422	35,210
Capital grants and contributions	5,652	4,731	482,861	188,354	488,513	193,085
General revenues:						
Property taxes	430,242	479,271	-	-	430,242	479,271
Franchise/Public Ser. Tax	348,316	347,354	-	-	348,316	347,354
State shared revenues	154,511	159,713	-	-	154,511	159,713
Fuel taxes levied from transportation	116,711	122,584	-	-	116,711	122,584
Other	20,506	11,245	11,945	18,599	32,451	29,844
<b>Total revenues</b>	<b>1,471,112</b>	<b>1,534,637</b>	<b>2,386,281</b>	<b>2,172,651</b>	<b>3,857,393</b>	<b>3,707,288</b>
<b>Expenses</b>						
General government	572,182	654,393	-	-	572,182	654,393
Library	98,906	124,027	-	-	98,906	124,027
Police	116,713	116,854	-	-	116,713	116,854
Building and zoning	87,611	94,983	-	-	87,611	94,983
Code Enforcement	1,043	-	-	-	1,043	-
Sanitation	187,880	191,009	-	-	187,880	191,009
Streets	183,007	194,119	-	-	183,007	194,119
Parks and recreation	45,638	47,321	-	-	45,638	47,321
Stormwater	1,891	10,440	-	-	1,891	10,440
Interest on long-term debt	70,006	65,653	-	-	70,006	65,653
Public utilities	-	-	2,221,522	2,114,957	2,221,522	2,114,957
<b>Total expenses</b>	<b>1,364,877</b>	<b>1,498,799</b>	<b>2,221,522</b>	<b>2,114,957</b>	<b>3,586,399</b>	<b>3,613,756</b>
<b>Increase (decrease) in net position before transfers</b>	<b>106,235</b>	<b>35,838</b>	<b>164,759</b>	<b>57,694</b>	<b>270,994</b>	<b>93,532</b>
Transfers	260,000	242,950	(260,000)	(242,950)	-	-
<b>Increase (decrease) in net assets</b>	<b>366,235</b>	<b>278,788</b>	<b>(95,241)</b>	<b>(185,256)</b>	<b>270,994</b>	<b>93,532</b>
Net position - October 1	1,745,893	2,112,128	2,551,993	2,456,752	4,297,886	4,568,880
Restatement	-	-	-	(495,205)	-	(495,205)
Net position - restated	1,745,893	2,112,128	2,551,993	1,961,547	4,297,886	4,073,675
<b>Net position - September 30</b>	<b>\$ 2,112,128</b>	<b>\$2,390,916</b>	<b>\$ 2,456,752</b>	<b>\$ 1,776,291</b>	<b>\$ 4,568,880</b>	<b>\$ 4,167,207</b>



**Polk City**  
**Management's Discussion and Analysis**  
**September 30, 2014**

---

**Governmental Activities** - Governmental activities increased the City's net position by \$278,788 after a net transfer of \$242,950 from the business-type activities. In the prior year, net position increased by \$366,235 after a \$260,000 transfer from the business-type activities. Total expenses increased by \$133,922 or approximately 10%.

**Business-type Activities** - Business-type activities decreased the City's net position by \$680,461 compared to a decrease of \$95,241 in the prior year. There was a net transfer of \$242,950 to the governmental activities. In addition, there was a net decrease to beginning net position of \$495,205 because of a restatement relating to GASBS No. 65, *Items Previously Reported as Assets and Liabilities* and an adjustment to unearned revenue. More information can be found at Note 13 of the notes to financial statements.

### **Fund Level Financial Analysis**

**Governmental Funds** - As of September 30, 2014, the City's governmental fund reported combined ending fund balances of \$1,016,348 which can be found on page 5. This is an increase of \$187,282 over the prior year ending fund balances of \$829,066. In the General Fund, the City's expenditures exceeded revenues by \$55,668.

**Proprietary Funds** - These services combined to generate operating income of \$368,402. Compare that to the prior year operating income of \$186,689. Due to continued growth there was an increase in impact fees and connection fees, continued cost cutting measures, the implementation of placing liens against Readiness to Serve Charges, as well as collecting past-due readiness to serve charges through the permitting process and utilities.

**General Fund Budgetary Highlights** - The City adopts an annual appropriated budget each year in September. Budgetary comparison statements have been provided to demonstrate compliance with the budget (page 27). Budget comparison reporting is included for the General Fund.

**Polk City  
Management's Discussion and Analysis  
September 30, 2014**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** - The investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, and equipment. The City elected to record and depreciate its infrastructure, rather than use the optional "modified approach".

The following table presents a comparison of the capital assets for the current and previous year.

<b>Capital Assets Activity</b> (net of depreciation) as of September 30,						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
<b>Assets not depreciated</b>						
Land	\$ 412,542	\$ 412,542	\$ 2,730,736	\$ 2,730,736	\$ 3,143,278	3,143,278
Construction in progress	5,000	-	-	-	5,000	-
<b>Total</b>	<u>417,542</u>	<u>412,542</u>	<u>2,730,736</u>	<u>2,730,736</u>	<u>3,148,278</u>	<u>3,143,278</u>
<b>Depreciated Assets</b>						
Buildings and improvements	2,673,966	2,678,870	-	-	2,673,966	2,678,870
Recreational facilities	471,882	471,882	-	-	471,882	471,882
Vehicles and equipment	443,337	459,154	268,853	275,754	712,190	734,908
Infrastructure	187,478	187,478	-	-	187,478	187,478
Utility plants	-	-	11,892,480	11,960,290	11,892,480	11,960,290
Subtotal	3,776,663	3,797,384	12,161,333	12,236,044	15,937,996	16,033,428
Accumulated depreciation	<u>(1,180,468)</u>	<u>(1,301,110)</u>	<u>(2,198,281)</u>	<u>(2,544,358)</u>	<u>(3,378,749)</u>	<u>(3,845,468)</u>
<b>Total</b>	<u>\$ 2,596,195</u>	<u>\$ 2,496,274</u>	<u>\$ 9,963,052</u>	<u>\$ 9,691,686</u>	<u>\$ 12,559,247</u>	<u>\$ 12,187,960</u>

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$15,331,238 (net of accumulated depreciation) compared to \$15,707,525 last year. That is a decrease of \$376,287 from the prior year.

Additional information on the City's capital assets can be found In Note 5 on pages 19 - 20 of the Notes to the Financial Statements in this report.

**Polk City  
Management's Discussion and Analysis  
September 30, 2014**

**Long-term debt** - The following table presents a comparison of revenue bonds and notes payable for the current and previous year.

**Revenue Notes and Notes Payable**  
as of September 30,

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Revenue notes	\$ -	\$ -	\$ 9,558,994	\$ 9,533,172	\$ 9,558,994	\$ 9,533,172
Notes payable	1,701,473	1,497,764	2,678,814	2,790,643	4,380,287	4,288,407
Total	<u>\$ 1,701,473</u>	<u>\$ 1,497,764</u>	<u>\$ 12,237,808</u>	<u>\$ 12,323,815</u>	<u>\$ 13,939,281</u>	<u>\$ 13,821,579</u>

The Governmental Activities had total debt outstanding of \$1,497,764 which compares to \$1,701,473 in the prior year. This consists of the Series 2007 Capital Improvement Revenue Bonds for the construction of the Polk City Government Center.

The Business-type Activities had total debt outstanding of \$12,323,815 which consists primarily of the Series 2011A Water/Sewer System Capital Improvement and Refunding Revenue Bonds, the installment note to the Florida Department of Environmental Protection, and the Tax Exempt Lease Purchase Agreement.

For additional information, see Note 6, pages 21 – 23.

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

For the Fiscal Year 2014 Budget the City experienced:

- ❖ New Hydro-tank for Matt Williams WTP; this was paid with Bond Proceeds – Capital Projects
- ❖ Replaced the outside back wall of the Public Works Building
- ❖ Completed a Meter Replacement Program, which will assist in running the utilities more efficiently
- ❖ Began setting funds aside for capital projects or items
- ❖ Completed drainage work at 202 Lakeshore Drive (joint project with homeowner)
- ❖ Relocated fire hydrants and raised water valves on S.R. 33 (DOT Project)
- ❖ The final payment was paid for General Fund Revenue Bond Series 2011-B
- ❖ Paid remaining mandatory reserve requirements for the General Fund USDA Loan
- ❖ We had an increase in Ad Valorem Taxes of approximately \$49,000
- ❖ Experienced an increase in building permits
- ❖ Implemented the placement of liens against the Readiness to Serve Charges

**Polk City**  
**Management's Discussion and Analysis**  
**September 30, 2014**

---

Looking at Fiscal Year 2015:

- FDEP Loan will increase by approximately \$75,000 annually
- Annual transfers from the Enterprise Fund to the General Fund will decrease in FY 2015 due to the Fifth Third Bond payment increasing in the Enterprise Fund and decreasing in the General Fund
- The millage rate had a slight decrease; however, the City experienced an increase in property values, and we estimate an increase of approximately \$30,000 in revenue
- Received a FRDAP Grant (Recreation) to refurbish the tennis court and basketball court in the amount of \$50,000
- Took back utility billing from Woodard & Curran, which resulted in a decrease in their contract
- Honey Bee Lane will be paved
- Pole Barn for Cardinal Hill to be built
- Community Center / Storm Shelter to be built and donated by private party
- Continue capital outlay and maintenance program
- Submitted a two-year budget
- Continued increase in building permits is expected
- Renewed the Solid Waste Contract resulting in a decrease to our citizens

Looking at Fiscal Year 2016:

- Continue with the paving program
- Mobile generator to be purchased from money set aside for capital expenses
- Continue with setting money aside for future capital projects
- Continued maintenance and repairs of water system and wastewater system
- Anticipate reduction in the millage rate based on expected increase of property values

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Polk City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City Manager, Polk City, 123 Broadway Boulevard SE, Polk City, FL 33868 or call (863) 984-1375.

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission  
Polk City, Florida

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Polk City, Florida as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **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 Polk City, Florida, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 13 to the financial statements, in 2014 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages M1 through M8 and the budgetary comparison information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of Polk City, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk City, Florida's internal control over financial reporting and compliance.

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

In accordance with *Chapter 10.550, Rules of the Auditor General*, we have also issued our report dated February 18, 2015 on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of that report is to describe the scope of our examination and the issuance of an opinion on Polk City, Florida's compliance with requirements of Section 218.415, *Florida Statutes*.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Auburndale, Florida  
February 18, 2015

**POLK CITY, FLORIDA**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 675,887	\$ 808,390	\$ 1,484,277
Receivables, current:			
Customer accounts, net	40,893	194,171	235,064
Intergovernmental	33,524	-	33,524
Franchise and public service taxes	23,194	-	23,194
Internal balances	99,139	(99,139)	-
Restricted assets:			
Cash and cash equivalents	228,407	1,434,348	1,662,755
Capital assets:			
Non-depreciable	412,542	2,730,736	3,143,278
Depreciable, net	2,496,274	9,691,686	12,187,960
Prepaid expenses	300	-	300
<b>TOTAL ASSETS</b>	<b>4,010,160</b>	<b>14,760,192</b>	<b>18,770,352</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 56,130	\$ 81,194	\$ 137,324
Accrued payroll	21,726	-	21,726
Accrued interest payable	5,148	75,497	80,645
Due to other governments	7,140	-	7,140
Unearned revenue	-	307,195	307,195
Customer deposits	-	196,200	196,200
Long-term liabilities:			
Due within one year	40,306	335,544	375,850
Due in more than one year	1,488,794	11,988,271	13,477,065
<b>TOTAL LIABILITIES</b>	<b>1,619,244</b>	<b>12,983,901</b>	<b>14,603,145</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,411,052	98,607	1,509,659
Restricted for:			
Transportation infrastructure	117,810	-	117,810
Water system improvements	-	156,305	156,305
Waste water system improvements	-	220,199	220,199
Debt service	110,597	733,248	843,845
Unrestricted	751,457	567,932	1,319,389
<b>TOTAL NET POSITION</b>	<b>\$ 2,390,916</b>	<b>\$ 1,776,291</b>	<b>\$ 4,167,207</b>

See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
General government	\$ 654,393	\$ 17,556	\$ 10,210	\$ -	\$ (626,627)	\$ -	\$ (626,627)
Library	124,027	6,983	25,000	-	(92,044)	-	(92,044)
Police	116,854	3,263	-	4,731	(108,860)	-	(108,860)
Building and zoning	94,983	73,715	-	-	(21,268)	-	(21,268)
Sanitation	191,009	241,209	-	-	50,200	-	50,200
Streets	194,119	15,172	-	-	(178,947)	-	(178,947)
Parks and recreation	47,321	-	-	-	(47,321)	-	(47,321)
Stormwater utility	10,440	16,631	-	-	6,191	-	6,191
Interest on long term debt	65,653	-	-	-	(65,653)	-	(65,653)
<b>Total governmental activities</b>	<u>1,498,799</u>	<u>374,529</u>	<u>35,210</u>	<u>4,731</u>	<u>(1,084,329)</u>	<u>-</u>	<u>(1,084,329)</u>
<b>Business-type Activities:</b>							
Water and sewer utility	2,114,957	1,965,698	-	188,354	-	39,095	39,095
<b>Total business-type activities</b>	<u>2,114,957</u>	<u>1,965,698</u>	<u>-</u>	<u>188,354</u>	<u>-</u>	<u>39,095</u>	<u>39,095</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 3,613,756</u>	<u>\$ 2,340,227</u>	<u>\$ 35,210</u>	<u>\$ 193,085</u>	<u>(1,084,329)</u>	<u>39,095</u>	<u>(1,045,234)</u>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					479,271	-	479,271
Franchise taxes					83,591	-	83,591
Public service taxes					263,763	-	263,763
Fuel taxes levied for transportation					122,584	-	122,584
State shared revenue					159,713	-	159,713
Investment earnings					15	10,294	10,309
Miscellaneous					11,230	8,305	19,535
<b>Transfers</b>					<u>242,950</u>	<u>(242,950)</u>	<u>-</u>
<b>Total General Revenues, Special Items, and Transfers</b>					<u>1,363,117</u>	<u>(224,351)</u>	<u>1,138,766</u>
Change in net position					278,788	(185,256)	93,532
<b>NET POSITION - previously reported</b>					2,112,128	2,456,752	4,568,880
Restatement (Note 13)					-	(495,205)	(495,205)
<b>NET POSITION - restated</b>					<u>2,112,128</u>	<u>1,961,547</u>	<u>4,073,675</u>
<b>NET POSITION - end of year</b>					<u>\$ 2,390,916</u>	<u>\$ 1,776,291</u>	<u>\$ 4,167,207</u>

See Accompanying Notes to Financial Statements



**POLK CITY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2014**

---

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 675,887
Receivables, net:	
Customer accounts, net	40,893
Intergovernmental	33,524
Franchise and public service taxes	23,194
Due from other funds	99,139
Restricted assets:	
Cash and cash equivalents	228,407
Prepaid expenditures	300
<b>TOTAL ASSETS</b>	<b>\$ 1,101,344</b>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable	\$ 56,130
Accrued payroll	21,726
Due to other governments	7,140
<b>TOTAL LIABILITIES</b>	<b>84,996</b>
<b>FUND BALANCE:</b>	
Nonspendable:	
Prepaid expenditures	300
Restricted for:	
Highways / streets	117,810
Debt service reserves / sinking	110,597
Assigned to:	
Subsequent year budget	71,397
Emergency reserve	240,689
Unassigned:	475,555
<b>TOTAL FUND BALANCE</b>	<b>1,016,348</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,101,344</b>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2014**

---

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 1,016,348</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	2,908,816
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(5,148)
Long-term liabilities (including compensated absences) are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	<u>(1,529,100)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,390,916</u></b>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

---

	<b>General Fund</b>
<b>REVENUES:</b>	
Taxes	\$ 960,047
Licenses and permits	73,955
Intergovernmental revenue	201,849
Charges for services	280,319
Fines and forfeitures	3,263
Other	15,205
Total revenues	<u>1,534,638</u>
<b>EXPENDITURES:</b>	
General government	481,720
Public safety	212,564
Physical environment	278,488
Transportation	174,254
Culture/recreation	139,610
Capital outlay	33,694
Debt service	269,976
Total expenditures	<u>1,590,306</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(55,668)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	<u>242,950</u>
Total other financing sources	<u>242,950</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>187,282</u>
<b>FUND BALANCE, beginning of year</b>	<u>829,066</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 1,016,348</u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

---

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 187,282

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

This is the amount of capital assets additions in the current period	20,722
This is the amount of capital assets deletions in the current period	(5,000)
This is the amount of depreciation recorded in the current period	(120,642)

Long-term obligations including bonds and notes payable and compensated absences are reported as liabilities in the government-wide statement of activities but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:

This amount represents long-term debt repayments	203,709
This amount represents the change in accrued interest payable	614
This amount represents the change in compensated absence liability	(7,897)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 278,788

**POLK CITY, FLORIDA  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2014**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 808,390
Customer accounts receivable, net	194,171
Total current assets	<u>1,002,561</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,434,348
Capital assets, net:	
Non-depreciable	2,730,736
Depreciable, net	9,691,686
Total noncurrent assets	<u>13,856,770</u>
<b>TOTAL ASSETS</b>	<u>14,859,331</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	81,194
Bonds and notes payable, current portion	335,544
Accrued interest payable	75,497
Unearned revenues	307,195
Due to general fund	99,139
Total current liabilities	<u>898,569</u>
Noncurrent liabilities:	
Customer deposits	196,200
Bonds and notes payable, noncurrent portion	11,988,271
Total noncurrent liabilities	<u>12,184,471</u>
<b>TOTAL LIABILITIES</b>	<u>13,083,040</u>
<b>NET POSITION</b>	
Net investment in capital assets	98,607
Restricted for:	
Water system improvements	156,305
Waste water system improvements	220,199
Debt service	733,248
Unrestricted	567,932
<b>TOTAL NET POSITON</b>	<u>\$ 1,776,291</u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Enterprise Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 1,965,698
Total operating revenues	<u>1,965,698</u>
<b>OPERATING EXPENSES:</b>	
Operating expenses	1,251,219
Depreciation	346,077
Total operating expenses	<u>1,597,296</u>
<b>OPERATING INCOME (LOSS)</b>	<u>368,402</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>	
Interest revenue	10,294
Interest expense	(517,661)
Other nonoperating revenue	8,305
Total nonoperating revenues (expenses)	<u>(499,062)</u>
Income (loss) before contributions	<u>(130,660)</u>
<b>CAPITAL CONTRIBUTIONS:</b>	
Impact fees	188,354
Total capital contributions	<u>188,354</u>
<b>TRANSFERS IN (OUT)</b>	
Transfers to other funds	<u>(242,950)</u>
Total transfers	<u>(242,950)</u>
Change in net position	(185,256)
<b>TOTAL NET POSITION - beginning of year</b>	2,456,752
Restatement (Note 13)	<u>(495,205)</u>
<b>TOTAL NET POSITION - restated</b>	<u>1,961,547</u>
<b>TOTAL NET POSITION - end of year</b>	<u><u>\$ 1,776,291</u></u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 1,949,644
Payments to suppliers	(1,219,181)
Net cash flows from operating activities	<u>730,463</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Increase (decrease) in due to (from) other funds	93,624
Transfers (to) from other funds	(242,950)
Other nonoperating revenue	8,305
Net cash flows from noncapital financing activities	<u>(141,021)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets, net of related payables	(74,711)
Impact fees	188,354
Loan proceeds, net of cost	147,483
Principal paid on notes, bonds and lease obligations	(70,654)
Interest paid on borrowings	(506,714)
Net cash flows from capital and related financing activities	<u>(316,242)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on invested funds	10,294
Net cash flows from investing activities	<u>10,294</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>283,494</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,959,244</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 2,242,738</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 368,402
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	346,077
(Increase) decrease in accounts receivable	(41,439)
Increase (decrease) in accounts payable	32,038
Increase (decrease) in customer deposits	25,385
Net cash flows from operating activities	<u><u>\$ 730,463</u></u>
<b>Noncash financing and investing activities:</b>	
Write off unamortized bond costs to net position per GASBS 65 (Note 13)	\$ 487,320
Prior period adjustment to unearned revenue (Note 13)	<u><u>\$ 7,885</u></u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

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

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

**A. REPORTING ENTITY**

Polk City, Florida (the "City") is a political subdivision of the State of Florida created in 1925 by Chapter 11016, Laws of the State of Florida. Ordinance No. 2014-02, approved by the City's electors, effective April 1, 2014, changed the name from the City of Polk City to Polk City. The City operates under a commission/manager form of municipal government and provides general municipal services, including public safety, public works, culture, recreation, community development, and water and sewer services. These financial statements include all of the funds, organizations, agencies, departments and account groups of the City (the "primary government") and any "legally" separate entities ("component units") required by generally accepted accounting principles 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. There are no entities that meet the criteria for inclusion as either blended or discreetly presented component units.

**B. BASIC FINANCIAL STATEMENTS**

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 has no fiduciary funds, however if it did they would be 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.



**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**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, 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The GASB codification Section 2200.159 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the City's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements.

The following fund types and funds are used and reported by the City:

- a) **Governmental Funds:** The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City;
  - **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.
  
- b) **Proprietary Funds:** The focus of the proprietary fund's measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:
  - **Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing potable water and sewer collection, treatment and disposal services to area residents.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**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 are recorded when a liability is incurred, regardless of the timing of related cash flows. Imposed nonexchange transactions (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 transaction (grants) and voluntary nonexchange transaction (donations) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as water and sewer. 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.

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, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the City.

**D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY**

**CASH AND CASH EQUIVALENTS** - Includes all short-term highly liquid investments with a maturity of three months or less when purchased, and all bank demand deposits, certificates of deposit, money-market and savings accounts. At September 30, 2014, all of the City's cash and investments met this definition.

**INVESTMENTS** - Debt securities owned are reported at cost plus accrued interest which approximates market. Purchases and sales of investments are reflected on trade dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

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

**CUSTOMER ACCOUNTS RECEIVABLE** - The City accrues its unbilled utility service fees. This represents the estimated value of service from the last billing date to year end and totaled \$167,007 at September 30, 2014. A reserve for doubtful accounts is maintained in each fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2014, the reserve for doubtful accounts totaled \$48,933 for utility service receivables and \$116,045 for readiness-to-serve receivables. Receivables are reported in the financial statements net of the reserve for doubtful accounts.

**INTERFUND RECEIVABLES AND PAYABLES** - To the extent any interfund balances exist, management anticipates they will be settled in cash as opposed to a permanent transfer.

**INVENTORIES** - Supply inventories of the general fund and the enterprise funds are immaterial and not recorded as assets. Such items are charged to expense when purchased.

**CAPITAL ASSETS** - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, and furniture and equipment with an individual cost of \$1,000 or more and an estimated useful life in excess of two years as defined by City resolution. Such assets are recorded at historical cost, if purchased and at fair market 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. 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.

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.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives of the related assets, as follows:

<u>Type</u>	<u>Years</u>
Utility plant in service	40
Buildings and improvements	10 - 30
Infrastructure	40
Machinery and equipment	3 - 10
Vehicles	5 - 7

**RESTRICTED ASSETS** - Includes cash and investments that are legally restricted to specific uses by external parties. The City generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

**INTEREST COSTS** - Interest costs are capitalized when incurred on debt where proceeds 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 net interest costs were capitalized for the year ended September 30, 2014.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

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

**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 then.

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

**LONG-TERM OBLIGATIONS** - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are reported as assets, net of amortization. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. 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 when due. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**COMPENSATED ABSENCES** - Sick leave is credited to an employee on the basis of nine hours per month of service not to exceed ninety days. Accumulated sick leave does not vest and is not paid upon termination of employment. Vacation leave is credited to an employee depending on years of service, ranging from four to sixteen days per year. Vacation leave accumulation is limited to 160 hours for hourly employees and 240 hours for salaried employees. Eligible employees accumulate two personal days a year not to exceed ten days. The liability for these compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

**CONNECTION FEES AND IMPACT FEES** - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities, and are recorded as operating revenue when received. Impact 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 or sewer facilities are deferred and reported as capital contributions when the requirements of the Developer agreements are met by the City.

**INTERFUND TRANSFERS** - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual enterprise funds, when applicable, are eliminated.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

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

**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 assets from debt proceeds, 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 \$1,338,159 of restricted net position of which \$494,314 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.

**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 or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts constrained to specific purposes by formal action (ordinance) of the City using its highest level of decision making authority (the City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City Commission 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.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**NOTE 2 - PROPERTY TAX CALENDAR** - Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and Polk County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the County, independent districts and the Polk County School Board tax requirements. State statutes permit municipalities 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, 2014 was 8.6547.

All taxes are due and payable on November 1 (levy date) 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 budget is adopted by Ordinance on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City Ordinance establishes the legal level of budgetary control at the individual fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the City Commission.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**DEPOSITS IN FINANCIAL INSTITUTIONS** - Municipalities in Florida are required by State Statute Chapter 280 - "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance.

The captions on the government-wide statement of net position for "cash and cash equivalents" both restricted and unrestricted, are summarized below:

Cash and cash equivalents:	
Cash on hand	\$ 575
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>3,146,457</u>
Total cash and cash equivalents	<u><u>\$ 3,147,032</u></u>

**INVESTMENTS** - The types of investments in which the City may invest are governed by State Statutes. According to the 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 Inter-local 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 net of 1940 whose investments are limited to U.S. Governments. The City maintained no investments during the year other than deposits in financial institutions.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 412,542	\$ -	\$ -	\$ 412,542
Construction in Progress	5,000	-	(5,000)	-
<b>Total</b>	<b>\$ 417,542</b>	<b>\$ -</b>	<b>\$ (5,000)</b>	<b>\$ 412,542</b>
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	\$ 2,673,965	\$ 4,905	\$ -	\$ 2,678,870
Recreational Facilities	471,882	-	-	471,882
Equipment	443,337	15,817	-	459,154
Infrastructure:				
Sidewalk Systems	111,852	-	-	111,852
Drainage Systems	75,626	-	-	75,626
<b>Total</b>	<b>3,776,662</b>	<b>20,722</b>	<b>-</b>	<b>3,797,384</b>
Less, Accumulated Depreciation:				
Buildings and Improvements	(602,019)	(61,112)	-	(663,131)
Recreational Facilities	(191,024)	(25,631)	-	(216,655)
Equipment	(353,735)	(29,212)	-	(382,947)
Infrastructure:				
Sidewalk Systems	(18,186)	(2,796)	-	(20,982)
Drainage Systems	(15,504)	(1,891)	-	(17,395)
<b>Total Accumulated Depreciation</b>	<b>(1,180,468)</b>	<b>(120,642)</b>	<b>-</b>	<b>(1,301,110)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 2,596,194</b>	<b>\$ (99,920)</b>	<b>\$ -</b>	<b>\$ 2,496,274</b>
<b>Business-Type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,730,736	\$ -	\$ -	\$ 2,730,736
<b>Total</b>	<b>\$ 2,730,736</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,730,736</b>
<b>Capital assets being depreciated:</b>				
Utility Plant	\$ 11,892,480	\$ 67,810	\$ -	\$ 11,960,290
Equipment	268,853	6,901	-	275,754
<b>Total</b>	<b>12,161,333</b>	<b>74,711</b>	<b>-</b>	<b>12,236,044</b>
Less, Accumulated Depreciation:				
Utility Plant	(1,974,189)	(328,962)	-	(2,303,151)
Equipment	(224,092)	(17,115)	-	(241,207)
<b>Total Accumulated Depreciation</b>	<b>(2,198,281)</b>	<b>(346,077)</b>	<b>-</b>	<b>(2,544,358)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 9,963,052</b>	<b>\$ (271,366)</b>	<b>\$ -</b>	<b>\$ 9,691,686</b>

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**NOTE 5 - CAPITAL ASSETS** (cont...)

Depreciation expense was charged to the following programs and functions:

**Governmental Activities:**

General government	\$ 81,140
Streets	11,717
Parks and recreation	25,894
Stormwater utility	<u>1,891</u>
Total depreciation expense - governmental activities	<u>\$ 120,642</u>

**Business-type Activities:**

Water and sewer	<u>\$ 346,077</u>
Total depreciation expense - business-type activities	<u>\$ 346,077</u>



**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities</b>					
Long-Term Debt:					
Notes Payable:					
Series 2007 Capital Improvement Revenue Bonds	\$ 1,536,473	\$ -	\$ (38,709)	\$ 1,497,764	\$ 40,306
Series 2011B Water / Sewer System Refunding Revenue Bonds	165,000	-	(165,000)	-	-
Total Bonds and Notes Payable	<u>1,701,473</u>	<u>-</u>	<u>(203,709)</u>	<u>1,497,764</u>	<u>40,306</u>
Other Liabilities:					
Compensated Absences	23,439	7,897	-	31,336	-
Total Other Liabilities	<u>23,439</u>	<u>7,897</u>	<u>-</u>	<u>31,336</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 1,724,912</u>	<u>\$ 7,897</u>	<u>\$ (203,709)</u>	<u>\$ 1,529,100</u>	<u>\$ 40,306</u>
<b>Less Amount Due in One Year</b>				<u>\$ (40,306)</u>	
Net Long-Term Debt Due After One Year				<u>\$ 1,488,794</u>	
<b>Business-Type Activities</b>					
Long-Term Debt:					
Notes Payable:					
Installment Note to Florida Department of Environmental Protection	\$ 2,678,814	\$ -	\$ (35,654)	\$ 2,643,160	\$ 111,174
Tax-Exempt Leasing	-	147,483	-	147,483	19,370
Total Notes Payable	<u>2,678,814</u>	<u>147,483</u>	<u>(35,654)</u>	<u>2,790,643</u>	<u>130,544</u>
Revenue Certificates:					
Series 2011A Water / Sewer System Capital Improvement and Refunding Revenue Bonds	9,720,000	-	(35,000)	9,685,000	205,000
Less discount on Series 2011A	(161,006)	-	9,178	(151,828)	-
Total Revenue Certificates	<u>9,558,994</u>	<u>-</u>	<u>(25,822)</u>	<u>9,533,172</u>	<u>205,000</u>
Total Long-Term Liabilities	<u>\$ 12,237,808</u>	<u>\$ 147,483</u>	<u>\$ (61,476)</u>	<u>\$ 12,323,815</u>	<u>\$ 335,544</u>
Less Amount Due in One Year				<u>(335,544)</u>	
Net Long-Term Debt Due After One Year				<u>\$ 11,988,271</u>	

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

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

**Notes to Long-Term Obligations Table**

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

**Governmental Activities:**

- Series 2007 Revenue Bonds - The USDA Rural Utilities Service Series 2007 Revenue Bonds are secured primarily by the communication services tax and the half cent sales Tax. The Series 2007 bonds bear interest at 4.125% with a final maturity of September 1, 2037. The bond proceeds were used to retire the Series 2006 Capital Improvement Revenue Bond Anticipation Note which was used to construct the new City administration facilities. The Series 2007 bonds require the maintenance of sinking and reserve fund.

**Business-Type Activities:**

- Series 2011A Capital Improvement and Refunding Revenue Bonds – The Capital Improvement and Refunding Revenue Bonds, Series 2011A are secured by net revenues of the water and sewer system, certain public service tax revenues, and moneys on deposit in various funds and accounts of the City. The Series 2011A bonds bear interest at 2.00 – 5.00% (true-interest-cost of 4.97%) with a final maturity of August 1, 2041. The Series 2011A bond proceeds were used to finance and/or reimburse the costs of certain improvements to the City's water and sewer system, refund all of the Series 1999 Revenue Bonds, Series 2004 Revenue Bonds, Series 2005 Capital Improvement Revenue Note, Polk County sprayfield loan, fund a portion of the reserve requirement and pay the costs of issuance of the bonds. The bonds require the maintenance of sinking, reserve, and renewal and replacement funds.
- Installment Note to Florida Department of Environmental Protection (WW 51201P) - This note is secured by the net revenues of the sewer system and sewer impact fees. The note bears interest at 2.41%, with semi-annual principal and interest payments on March 15 and September 15 with a final maturity in September 2033. The note proceeds were used to fund the planning, administrative, and engineering costs for construction of wastewater transmission, collection, reuse and treatment facilities. The Note requires the maintenance of a sinking fund.
- Tax Exempt Lease Purchase Agreement – This agreement is secured by a lien on the equipment acquired. The agreement bears interest at 2.79%, with annual principal and interest payments on April 15 with a final maturity in April 2021. The agreement proceeds were used to fund the purchase of water meters and related equipment.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

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

**Maturities:**

Annual requirements to repay all long-term bonds and notes payable as of September 30, 2014, were as follows:

Fiscal Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 40,306	\$ 61,783	\$ 335,544	\$ 508,817
2016	41,969	60,120	343,780	499,431
2017	43,700	58,389	352,096	489,814
2018	45,503	56,586	365,495	479,966
2019	47,380	54,709	373,978	469,733
2020-2024	267,877	242,567	2,002,806	2,155,041
2025-2029	327,877	182,568	2,321,428	1,775,825
2030-2034	401,316	109,129	2,645,516	1,276,167
2035-2039	281,836	23,528	2,535,000	692,750
2040-2041	-	-	1,200,000	90,750
Less: unamortized bond discount	-	-	(151,828)	-
<b>Total</b>	<b>\$ 1,497,764</b>	<b>\$ 849,379</b>	<b>\$ 12,323,815</b>	<b>\$ 8,438,294</b>

**NOTE 7 – FUTURE REVENUES THAT ARE PLEDGED**

The City has pledged various future revenue sources for various debt issues. For the water and sewer systems, 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. Additional information regarding the City's pledged revenue can be found in Note 6.

<u>Pledged Revenue</u>	<u>Principal and Interest Outstanding</u>	<u>Principal and Interest Paid</u>	<u>Current Year Revenue</u>	<u>Revenues to Principal and Interest Paid</u>
Communication services tax pursuant to Section 202.19, Florida Statutes and the half cent sales tax pursuant to part VI of Chapter 218, Florida Statutes	\$ 2,347,144	\$ 102,089	\$ 221,098	216.57%
Water and sewer system net revenue and sewer impact fees	20,749,542	745,256	902,833	121.14%

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**NOTE 8 - INTERFUND TRANSACTIONS**

Interfund transactions are summarized below:

**Interfund receivables and payables as of September 30, 2014 consisted of:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 99,139

The above interfund balances arose from the fund with the receivable incurring cost on behalf of the fund with the payable which were not repaid prior to year end.

**Interfund transfers for the year ending September 30, 2014 consisted of:**

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 242,950

The transfer from the enterprise fund to the general fund is a budgeted annual operating transfer to finance services accounted for in the general fund.

**NOTE 9 - PENSION PLAN**

The City has elected to participate in The Florida Retirement System (FRS), by authority of Ordinance 95-1 dated January 3, 1995. The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision: however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**NOTE 9 - PENSION PLAN** (cont...)

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Prior to July 1, 2014		After July 1, 2014	
	Employee	Employer (A)	Employee	Employer (B)
Regular	3.00%	6.95%	3.00%	7.37%
Senior Management	3.00%	18.31%	3.00%	21.14%

Note (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates include 0.03 percent for administrative costs of the Investment Plan.

Note (B) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates include 0.04 percent for administrative costs of the Investment Plan.

The City's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the City. The City's contributions including employee contributions for the fiscal years ended September 30, 2012, September 30, 2013, and September 30, 2014, totaled \$28,340, \$28,376 and \$42,408 respectively, which were equal to the required contributions for each fiscal year.

Financial statement and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS**

Pursuant to the provisions of Section 112.08011, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's fully insured health and hospitalization plan. These retirees are completely responsible for payment of their insurance premiums and the City does not contribute toward this payment. Based upon prior experience, the assumed participation rate is zero percent and current insurance premiums are not affected by the requirements of Section 112.08011, Florida Statutes. An actuarial projection with a zero assumed participation rate, which is consistent with actual results, would result in a Other Post Employment Benefit (OPEB) obligation of zero. Accordingly there is no OPEB obligation recorded in the financial statements.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

- The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, liabilities from the lease agreements are not reflected in the City's account groups. Remaining minimum lease payments are not significant.
- 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, 2014, 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.
- Effective March 1, 2007, the City contracted with the Polk County Sheriff to provide enhanced law enforcement services within the City, this contract ended September 30, 2014. Effective October 1, 2014, the City contracted with Polk County Sheriff to provide enhanced law enforcement services within the City for three fiscal years. Under the agreement, the City shall pay \$120,076 for base services for the fiscal year ended September 30, 2015 which is the first year of the current contract. The City paid \$116,016 for the year ended September 30, 2014.
- The City in January 2011 entered into a contract with a contractor for operation and maintenance services for the City's water and wastewater utility system. The contract provides that compensation to the contractor for services performed under the contract shall be based on the cost-plus-fixed fee method. The fixed fee shall be ten percent (10%) of the sum of the reimbursable costs plus any additional costs payable to the contractor. The contract shall extend from the date of execution through December 31, 2015 and that renewal for succeeding terms of five years after 2015 shall be at the discretion of the City.

**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. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2014 or the previous two years. 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. The City's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool. Settled claims resulting from these risks have not exceeded insurance coverage.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

---

**NOTE 13 – RESTATEMENT**

For the current year, the City implemented GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets or liabilities.

Beginning net position for the Business-type Activities and the Enterprise Fund as previously reported was reduced by \$487,320 for debt issuance costs that had been reported as an asset and amortized over the life of the debt. Costs related to the issuance of debt will be recognized as an expense in the period incurred rather than recorded as an asset and amortized over the life of the debt. Beginning net position was also reduced by \$7,885 for revenue recognized in previous periods that were unearned at the time of recognition.

	<u>Business-Type Activities and Enterprise Fund</u>
Net Position, September 30, 2013, as previously reported	\$ 2,456,752
Restatement:	
Implementation of GASBS No. 65	(487,320)
Adjustment to unearned revenue	<u>(7,885)</u>
Net position, September 30, 2013 as restated	<u>\$ 1,961,547</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**POLK CITY, FLORIDA  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RESOURCES (inflows):</b>				
Taxes	\$ 922,066	\$ 922,066	\$ 960,047	\$ 37,981
Licenses and permits	38,403	38,403	73,955	35,552
Intergovernmental revenue	206,603	206,603	201,849	(4,754)
Charges for services	274,862	274,862	280,319	5,457
Fines and forfeitures	820	820	3,263	2,443
Other	11,520	11,520	15,205	3,685
Amounts available for appropriations	<u>1,454,274</u>	<u>1,454,274</u>	<u>1,534,638</u>	<u>80,364</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
General government	505,537	505,537	481,720	23,817
Public safety	203,234	203,234	212,564	(9,330)
Physical environment	278,970	278,970	278,488	482
Transportation	211,784	211,784	174,254	37,530
Culture/recreation	133,489	133,489	139,610	(6,121)
Capital outlay	143,429	143,429	33,694	109,735
Debt service	284,805	284,805	269,976	14,829
Total charges to appropriations	<u>1,761,248</u>	<u>1,761,248</u>	<u>1,590,306</u>	<u>170,942</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<u>(306,974)</u>	<u>(306,974)</u>	<u>(55,668)</u>	<u>251,306</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from enterprise fund	<u>242,950</u>	<u>242,950</u>	<u>242,950</u>	<u>-</u>
Total other financing sources	<u>242,950</u>	<u>242,950</u>	<u>242,950</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS AND OTHER FINANCING SOURCES</b>	<u>(64,024)</u>	<u>(64,024)</u>	<u>\$ 187,282</u>	<u>\$ 251,306</u>
Cash carry forward	<u>126,948</u>	<u>126,948</u>		
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 62,924</u>	<u>\$ 62,924</u>		

## **OTHER REPORTS**

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

Honorable Mayor and Members of the City Commission  
Polk City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Polk City, Florida as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Polk City, Florida's basic financial statements, and have issued our report thereon dated February 18, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Polk City, 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 Polk City, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Polk City, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Polk City, 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*.

Honorable Mayor and Members of the City Commission  
Polk City, Florida

---

***Purpose of this Report***

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Auburndale, Florida  
February 18, 2015

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES

Honorable Mayor and Members of the City Commission  
Polk City, Florida

We have examined Polk City, Florida's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2014. Management is responsible for Polk City, Florida's compliance with those requirements. Our responsibility is to express an opinion on Polk City, Florida's compliance based on our examination.

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

In our opinion, Polk City, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2014.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
February 18, 2015



**(This page intentionally left blank)**

## MANAGEMENT LETTER

Honorable Mayor and Members of the City Commission  
Polk City, Florida

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

We have audited the financial statements of the Polk City, Florida as of and for the year ended September 30, 2014, and have issued our report thereon dated February 18, 2015.

### **Auditor's Responsibility**

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

### **Other Reports and Schedule**

We have issued our Independent Auditor's 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 Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance with the requirements of Section 218.415, Florida Statutes in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 18, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of Polk City, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements.

### **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Polk City, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Polk City, 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 Polk City, 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.

Honorable Mayor and Members of the City Commission  
Polk City, Florida

---

**Annual Financial Report**

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

**Other Matters**

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we 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, members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
February 18, 2015