



# **POLK CITY, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

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## **FINANCIAL SECTION**

## 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as provided in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 June 1, 2018, 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 June 1, 2018 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  
June 1, 2018

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

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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, 2017. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 11.

### **Financial Highlights**

- The assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$6,936,507 as of September 30, 2017.
- For the year ended September 30, 2017, the governmental activities increase the net position of the City by \$410,334 and the business-type activities increased the net position of the City by \$641,136 for an overall increase in net position of \$1,051,470.
- The City's unrestricted cash and cash equivalents totaled \$2,805,051, an increase of \$582,442 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 \$1,907,039, an increase of \$395,906 in comparison with the prior year. As of September 30, 2017, the City's unassigned and assigned fund balance totaled \$1,250,478 and 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 outflows of resources, liabilities and deferred inflows of resources, with the residual amount 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, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

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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, fire/rescue, building and zoning, sanitation, streets, parks and recreation, and stormwater utility. The business-type activities include the water and sewer utility.

### **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 by referencing the table of contents of this report.

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 an enterprise fund to account for its water and sewer utility. The basic proprietary fund financial statements can be found by referencing the table of contents 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. The notes to the financial statements can be found by referencing the table of contents of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* consisting of the City's budgetary comparison statement for the general fund and information concerning the City's proportionate share of the net pension liability and contributions to the Florida retirement system pension and health insurance subsidy pension plans which can be found by referencing the table of contents of this report.



**Polk City, Florida  
Management's Discussion and Analysis  
September 30, 2017**

**Government-Wide Financial Analysis**

The following table reflects a summary of Net Position compared to prior year.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<b>Assets</b>						
Current and other assets	\$1,635,106	\$2,221,344	\$3,213,220	\$3,789,046	\$4,848,326	\$6,010,390
Capital assets	<u>3,088,289</u>	<u>3,108,795</u>	<u>11,886,452</u>	<u>11,608,854</u>	<u>14,974,741</u>	<u>14,717,649</u>
<b>Total assets</b>	<u>4,723,395</u>	<u>5,330,139</u>	<u>15,099,672</u>	<u>15,397,900</u>	<u>19,823,067</u>	<u>20,728,039</u>
<b>Deferred Outflow of Resources</b>						
	<u>257,045</u>	<u>228,271</u>	<u>34,007</u>	<u>25,663</u>	<u>291,052</u>	<u>253,934</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	1,868,440	1,886,104	11,715,598	11,373,333	13,584,038	13,259,437
Other liabilities	<u>128,839</u>	<u>289,026</u>	<u>434,430</u>	<u>431,400</u>	<u>563,269</u>	<u>720,426</u>
<b>Total liabilities</b>	<u>1,997,279</u>	<u>2,175,130</u>	<u>12,150,028</u>	<u>11,804,733</u>	<u>14,147,307</u>	<u>13,979,863</u>
<b>Deferred Inflow of Resources</b>						
	<u>72,220</u>	<u>32,005</u>	<u>9,555</u>	<u>3,598</u>	<u>81,775</u>	<u>35,603</u>
<b>Net Position</b>						
Net Invested in capital assets	1,672,800	1,737,006	223,863	289,409	1,896,663	2,026,415
Restricted	368,972	647,252	1,515,352	1,753,816	1,884,324	2,401,068
Unrestricted	<u>869,169</u>	<u>937,017</u>	<u>1,234,881</u>	<u>1,572,007</u>	<u>2,104,050</u>	<u>2,509,024</u>
<b>Total net position</b>	<u>\$2,910,941</u>	<u>\$3,321,275</u>	<u>\$2,974,096</u>	<u>\$3,615,232</u>	<u>\$5,885,037</u>	<u>\$6,936,507</u>

Twenty-nine 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-five 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, Florida  
Management's Discussion and Analysis  
September 30, 2017**

The following table reflects the condensed Statement of Activities for the current and previous year.

**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>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 478,129	\$ 617,108	\$2,095,911	\$2,250,056	\$2,574,040	\$2,867,164
Operating grants and contributions	34,435	56,368	-	-	34,435	56,368
Capital grants and contributions	188,500	409,905	395,430	449,479	583,930	859,384
General revenues:						
Property taxes	516,503	563,672	-	-	516,503	563,672
Franchise/Public Ser. Tax	363,351	423,878	-	-	363,351	423,878
State shared revenues	174,365	175,410	-	-	174,365	175,410
Fuel taxes	136,795	140,044	-	-	136,795	140,044
Donations	-	-	-	-	-	-
Other	12,422	26,201	2,414	8,667	14,836	34,868
<b>Total revenues</b>	<b>1,904,500</b>	<b>2,412,586</b>	<b>2,493,755</b>	<b>2,708,202</b>	<b>4,398,255</b>	<b>5,120,788</b>
<b>Expenses</b>						
General government	620,993	728,166	-	-	620,993	728,166
Library	111,285	110,089	-	-	111,285	110,089
Law enforcement	129,542	97,527	-	-	129,542	97,527
Building and zoning	130,303	220,226	-	-	130,303	220,226
Sanitation	190,400	203,251	-	-	190,400	203,251
Streets	189,440	454,717	-	-	189,440	454,717
Parks and recreation	54,926	131,270	-	-	54,926	131,270
Stormwater	29,585	23,761	-	-	29,585	23,761
Interest on long-term debt	59,976	58,245	-	-	59,976	58,245
Public utilities	-	-	1,735,767	2,042,066	1,735,767	2,042,066
<b>Total expenses</b>	<b>1,516,450</b>	<b>2,027,252</b>	<b>1,735,767</b>	<b>2,042,066</b>	<b>3,252,217</b>	<b>4,069,318</b>
<b>Increase (decrease) in net position before transfers</b>	<b>388,050</b>	<b>385,334</b>	<b>757,988</b>	<b>666,136</b>	<b>1,146,038</b>	<b>1,051,470</b>
Transfers	-	25,000	-	(25,000)	-	-
<b>Increase (decrease) in net position</b>	<b>388,050</b>	<b>410,334</b>	<b>757,988</b>	<b>641,136</b>	<b>1,146,038</b>	<b>1,051,470</b>
Net position - October 1	2,522,891	2,910,941	2,216,108	2,974,096	4,738,999	5,885,037
<b>Net position - September 30</b>	<b>\$2,910,941</b>	<b>\$3,321,275</b>	<b>\$2,974,096</b>	<b>\$3,615,232</b>	<b>\$5,885,037</b>	<b>\$6,936,507</b>

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

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**Governmental Activities** – Governmental activities increased the City's net position by \$410,334 after a net transfer of \$25,000 from the business-type activities. In the prior year, net position increased by \$388,050 as a result of operations. Total revenue for the year ended September 30, 2017 increased by \$508,086 or 27% and expenses increased by \$510,802 or 34%.

**Significant items experienced in FY 2017 – Governmental Activities:**

- The taxable values increased; Polk City lowered the millage rate from 8.6000 to 8.0000 mills and we saw an increase in revenue of approximately a \$45,198 (budgeted) even with lowering the millage rate.
- The number of building permits increased immensely in Fountain Park.
- The City hired a Public Works Director.
- The City moved forward with the purchase of new software – ADG (Financial, Fixed Assets, Utility Billing and Business Tax). The conversion took place in July and August 2017.
- The City paved a majority of the streets, and improvements were made to the alley from Arborvita to Broadway.
- The City purchased a new F150 for the Utility Director, purchased a John Deere Tractor using the old tractor as a trade-in, purchased two John Deere Gators – using old gators as a trade-in, purchased a rotary cutter back of John Deere – used old bush hog and disk as a trade-in, a 1999 Ford Bucket Truck, and we purchased a 2016 Jeep for staff to use.
- A new sound system and T.V.'s was installed in the Commission Chambers.
- A new sidewalk was put installed on Berkley from S.R. 33 (city portion) to the foot-path at the trail (County portion).

**Business-type Activities** - Business-type activities increased the City's net position by \$641,136 compared to an increase of \$757,988 in the prior year. There was a net transfer of \$25,000 to the governmental activities in the current year and no transfers in the prior year. Total revenue for the year ended September 30, 2017 increased by \$214,447 or 9% and expenses increased by \$306,299 or 18%.

**Significant items experienced in FY 2017 – Business-type Activities:**

- There was an increase in water and sewer impact fees due to new construction in Fountain Park.
- Connection fees increased due to new construction.
- Readiness to Serve charges decreased due to new customers being added to water and sewer users.
- The Commission made a decision to take back the operations and maintenance of the Water and Wastewater Systems from Aquarina beginning January 1, 2018, which will result in a savings to the City.
- Polk City joined the Polk Regional Water Cooperation.

**Polk City, Florida  
Management's Discussion and Analysis  
September 30, 2017**

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**Significant items experienced in FY 2017 – Business-type Activities:** (cont...)

- A 20 HP 4" Flygt Pump was purchased for Voyles Loop Lift Station.
- The City purchased a Streamline Polar 20x20 Building (Shed) for the Cardinal Hill Wastewater Facility.

**Fund Level Financial Analysis**

**Governmental Funds** - As of September 30, 2017, the City's governmental fund reported combined ending fund balances of \$1,907,039. This is an increase of \$395,906 over the prior year ending fund balances of \$1,511,133. The main causes of the increase are as follows:

- Total revenue increased by \$508,810 or 27% mainly due to increase in licenses and permits, and impact fees. Licenses and permits increased by \$122,573 and impact fees increased by \$166,244 over the prior fiscal year.
- Total expenditures increased by \$613,231 or 43% mainly due to increased transportation and capital outlay expenditures. Transportation expenditures increased by \$85,248 and capital outlay expenditures increased by \$323,366 over the prior fiscal year.

**Proprietary Funds** - These services combined to generate operating income of \$705,419. Compare that to the prior year operating income of \$867,222. Due to continued growth there was an increase in impact fees and connection fees, 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. A budgetary comparison schedule for the General Fund has been provided to demonstrate compliance with the budget. Actual revenue exceeded the original budgeted amounts by \$480,238 while actual expenditures were greater than budgeted appropriations by \$1,477 resulting in an overall favorable budget variance of \$478,761.

Overall the Fiscal Year 2017 Budget had a positive impact on Polk City's financial picture for General Fund and Enterprise Fund.

**Polk City, Florida  
Management's Discussion and Analysis  
September 30, 2017**

**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.

**Capital Assets Activity**  
as of September 30,

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<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	4,000	-	-	-	4,000	-
<b>Total</b>	<u>416,542</u>	<u>412,542</u>	<u>2,730,736</u>	<u>2,730,736</u>	<u>3,147,278</u>	<u>3,143,278</u>
<b>Depreciated Assets</b>						
Buildings and improvements	3,071,683	3,092,069	-	-	3,071,683	3,092,069
Recreational facilities	482,262	496,897	-	-	482,262	496,897
Vehicles and equipment	439,359	507,980	278,987	314,395	718,346	822,375
Infrastructure	187,478	205,009	-	-	187,478	205,009
Utility plants	-	-	12,073,317	12,077,204	12,073,317	12,077,204
Subtotal	4,180,782	4,301,955	12,352,304	12,391,599	16,533,086	16,693,554
Accumulated depreciation	(1,509,035)	(1,605,702)	(3,196,588)	(3,513,481)	(4,705,623)	(5,119,183)
<b>Total</b>	<u>\$ 2,671,747</u>	<u>\$ 2,696,253</u>	<u>\$ 9,155,716</u>	<u>\$ 8,878,118</u>	<u>\$ 11,827,463</u>	<u>\$ 11,574,371</u>

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$11,574,371 (net of accumulated depreciation) compared to \$11,827,463 last year. That is a decrease of \$257,092 from the prior year due to annual depreciation expense in excess of current year additions. Additional information on the City's capital assets can be found in Note 5 of the Notes to the Financial Statements in this report.

**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>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
Revenue notes	\$ -	\$ -	\$ 9,136,270	\$ 8,930,223	\$ 9,136,270	\$ 8,930,223
Notes payable	1,415,489	1,371,789	2,526,319	2,389,222	3,941,808	3,761,011
<b>Total</b>	<u>\$ 1,415,489</u>	<u>\$ 1,371,789</u>	<u>\$ 11,662,589</u>	<u>\$ 11,319,445</u>	<u>\$ 13,078,078</u>	<u>\$ 12,691,234</u>

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

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**Long-term debt (cont...)**

The Governmental Activities had total debt outstanding of \$1,371,789 which compares to \$1,415,489 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 \$11,319,445 which compares to \$11,662,589 in the prior year. This consists 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 of the Notes to the Financial Statements in this report.

**Economic Factors and Next Year's Budget and Rates:** The following economic factors were considered in developing the 2017-2018 budget.

- Fountain Park to finish building Phase 1 and submit plans and start construction on Phase 2.
- An increase in taxable values with the ability to lower the Millage rate.
- To budget for an annual payment should the Commission decide to purchase or build a public works / utilities facility.
- Annual payment for new software for one year.
- Capital Projects/Improvements total \$128,526 (less than 2017), and to put \$32,000 in Capital Projects/Improvements Reserves.
- Take back operation and maintenance of City's Water and Wastewater Utilities and hire necessary personnel.
- Purchase of utility trucks with taking back of the utilities.
- Continue with applying for grants from the Department of Economic Opportunity (State).
- Refinancing and/or restructuring the City's Debt Service (2011 Bonds and USDA Loan for Government Center).
- Sidewalk repair/replacement.
- Evaluate the Water and Wastewater Utility needs (repair/replacement/extension).

**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.

**POLK CITY, FLORIDA  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,412,863	\$ 1,392,188	\$ 2,805,051
Receivables, current:			
Customer accounts, net	47,246	209,871	257,117
Intergovernmental	41,214	-	41,214
Franchise and public service taxes	26,015	-	26,015
Prepaid expenses	9,309	45,078	54,387
Internal balances	7,445	(7,445)	-
Restricted assets:			
Cash and cash equivalents	647,252	2,149,354	2,796,606
Capital assets:			
Non-depreciable	412,542	2,730,736	3,143,278
Depreciable, net	2,696,253	8,878,118	11,574,371
<b>TOTAL ASSETS</b>	<b>5,300,139</b>	<b>15,397,900</b>	<b>20,698,039</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	228,271	25,663	253,934
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>228,271</b>	<b>25,663</b>	<b>253,934</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 98,125	\$ 91,250	\$ 189,375
Accrued payroll	11,386	926	12,312
Accrued interest payable	4,721	71,583	76,304
Due to other governments	174,794	-	174,794
Unearned revenue	-	-	-
Customer deposits	-	267,641	267,641
Long-term liabilities:			
Due within one year	45,503	365,495	410,998
Due in more than one year	1,840,601	11,007,838	12,848,439
<b>TOTAL LIABILITIES</b>	<b>2,175,130</b>	<b>11,804,733</b>	<b>13,979,863</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	32,005	3,598	35,603
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>32,005</b>	<b>3,598</b>	<b>35,603</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,737,006	289,409	2,026,415
Restricted for:			
Transportation infrastructure	7,697	-	7,697
General government facilities	244,722	-	244,722
Law enforcement	89,999	-	89,999
Fire / rescue	48,615	-	48,615
Parks and recreation capital improvements	145,622	-	145,622
Water system improvements	-	168,957	168,957
Waste water system improvements	-	764,028	764,028
Debt service	110,597	820,831	931,428
Unrestricted	937,017	1,572,007	2,509,024
<b>TOTAL NET POSITION</b>	<b>\$ 3,321,275</b>	<b>\$ 3,615,232</b>	<b>\$ 6,936,507</b>

See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 728,166	\$ 13,892	\$ 20,340	\$ 168,476	\$ (525,458)	\$ -	\$ (525,458)
Library	110,089	5,300	36,028	-	(68,761)	-	(68,761)
Law enforcement	97,527	5,842	-	64,149	(27,536)	-	(27,536)
Fire / rescue	-	-	-	32,050	32,050	-	32,050
Building and zoning	220,226	296,727	-	-	76,501	-	76,501
Sanitation	203,251	259,885	-	-	56,634	-	56,634
Streets	454,717	15,790	-	-	(438,927)	-	(438,927)
Parks and recreation	131,270	-	-	145,230	13,960	-	13,960
Stormwater utility	23,761	19,672	-	-	(4,089)	-	(4,089)
Interest on long term debt	58,245	-	-	-	(58,245)	-	(58,245)
<b>Total governmental activities</b>	<u>2,027,252</u>	<u>617,108</u>	<u>56,368</u>	<u>409,905</u>	<u>(943,871)</u>	<u>-</u>	<u>(943,871)</u>
<b>Business-type Activities:</b>							
Water and sewer utility	2,042,066	2,250,056	-	449,479	-	657,469	657,469
<b>Total business-type activities</b>	<u>2,042,066</u>	<u>2,250,056</u>	<u>-</u>	<u>449,479</u>	<u>-</u>	<u>657,469</u>	<u>657,469</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 4,069,318</u>	<u>\$ 2,867,164</u>	<u>\$ 56,368</u>	<u>\$ 859,384</u>	<u>(943,871)</u>	<u>657,469</u>	<u>(286,402)</u>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					563,672	-	563,672
Franchise taxes					85,473	-	85,473
Public service taxes					338,405	-	338,405
Fuel taxes levied for transportation					140,044	-	140,044
State shared revenue					175,410	-	175,410
Investment earnings					206	-	206
Miscellaneous					25,995	8,667	34,662
<b>Transfers</b>					25,000	(25,000)	-
<b>Total General Revenues and Transfers</b>					<u>1,354,205</u>	<u>(16,333)</u>	<u>1,337,872</u>
Change in net position					410,334	641,136	1,051,470
<b>NET POSITION - beginning of year</b>					<u>2,910,941</u>	<u>2,974,096</u>	<u>5,885,037</u>
<b>NET POSITION - end of year</b>					<u>\$ 3,321,275</u>	<u>\$ 3,615,232</u>	<u>\$ 6,936,507</u>

See Accompanying Notes to Financial Statements



**POLK CITY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2017**

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,412,863
Receivables, net:	
Customer accounts, net	47,246
Intergovernmental	41,214
Franchise and public service taxes	26,015
Due from enterprise fund	7,445
Prepaid expenditures	9,309
Restricted assets:	
Cash and cash equivalents	647,252
<b>TOTAL ASSETS</b>	<b><u>\$ 2,191,344</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable	\$ 98,125
Accrued payroll	11,386
Due to other governments	174,794
<b>TOTAL LIABILITIES</b>	<b><u>284,305</u></b>
<b>FUND BALANCE:</b>	
Nonspendable:	
Prepaid expenditures	9,309
Restricted for:	
Highways / streets	7,697
Debt service reserves / sinking	110,597
General government facilities	244,722
Law enforcement	89,999
Fire / rescue	48,615
Parks and recreation	145,622
Assigned to:	
Emergency reserve	240,689
Unassigned:	1,009,789
<b>TOTAL FUND BALANCE</b>	<b><u>1,907,039</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 2,191,344</u></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, 2017**

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**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 1,907,039**

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

Capital assets, net of accumulated depreciation, used in governmental activities are financial resources and, therefore, are not reported as assets in the governmental funds. 3,108,795

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (4,721)

The deferred outflows and deferred inflows related to pensions are applied to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions 228,271  
Deferred inflows related to pensions (32,005)

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Notes payable (1,371,789)  
Compensated absences payable (41,545)  
Net pension liability (472,770)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 3,321,275**

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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, 2017**

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	<b>General Fund</b>
<b>REVENUES:</b>	
Taxes	\$ 1,133,754
Licenses and permits	296,727
Intergovernmental revenue	290,378
Charges for services	300,657
Fines and forfeitures	5,842
Impact fees	347,601
Other	38,349
Total revenues	<u>2,413,308</u>
<b>EXPENDITURES:</b>	
General government	494,901
Public safety	311,791
Physical environment	324,716
Transportation	261,697
Culture/recreation	193,275
Capital outlay	353,933
Debt service	102,089
Total expenditures	<u>2,042,402</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>370,906</u>
<b>OTHER FINANCING SOURCES</b>	
Transfers in	25,000
Total other financing sources	<u>25,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>395,906</u>
<b>FUND BALANCE, beginning of year</b>	<u>1,511,133</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 1,907,039</u></u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 395,906**

**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

This is the amount of capital assets additions in the current period	146,886
This is the amount of depreciation recorded in the current period	(125,657)
This is the amount of net property that was disposed of during the current period	(723)

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	43,700
This amount represents the change in accrued interest payable	145
This amount represents the change in compensated absence liability	(6,097)

Pension costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. The net change in liabilities in the current fiscal year:

This amount represents the change in deferred outflows related to pensions	(28,774)
This amount represents the change in deferred inflows related to pensions	40,215
This amount represents the change in the net pension liability	(55,267)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 410,334</b>
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See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**AS OF SEPTEMBER 30, 2017**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,392,188
Customer accounts receivable, net	209,871
Prepaid expenses	45,078
Total current assets	<u>1,647,137</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	2,149,354
Capital assets, net:	
Non-depreciable	2,730,736
Depreciable, net	8,878,118
Total noncurrent assets	<u>13,758,208</u>
<b>TOTAL ASSETS</b>	<u>15,405,345</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	25,663
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>25,663</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	91,250
Accrued payroll	926
Bonds and notes payable, current portion	365,495
Accrued interest payable	71,583
Due to general fund	7,445
Total current liabilities	<u>536,699</u>
Noncurrent liabilities:	
Customer deposits	267,641
Compensated absences	739
Net pension liability	53,149
Bonds and notes payable, noncurrent portion	10,953,950
Total noncurrent liabilities	<u>11,275,479</u>
<b>TOTAL LIABILITIES</b>	<u>11,812,178</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	3,598
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,598</u>
<b>NET POSITION</b>	
Net investment in capital assets	289,409
Restricted for:	
Water system improvements	168,957
Waste water system improvements	764,028
Debt service	820,831
Unrestricted	1,572,007
<b>TOTAL NET POSITON</b>	<u>\$ 3,615,232</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, 2017**

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	<b>Enterprise Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 2,250,056
Total operating revenues	<u>2,250,056</u>
<b>OPERATING EXPENSES:</b>	
Personnel services	94,596
Operating expenses	1,125,548
Depreciation	324,493
Total operating expenses	<u>1,544,637</u>
<b>OPERATING INCOME</b>	<u>705,419</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>	
Interest expense	(497,429)
Other nonoperating revenue	8,667
Total nonoperating revenues (expenses)	<u>(488,762)</u>
Income (loss) before contributions and transfers	<u>216,657</u>
<b>CAPITAL CONTRIBUTIONS:</b>	
Impact fees	449,479
Total capital contributions	<u>449,479</u>
<b>TRANSFERS IN (OUT)</b>	
Transfers to other funds	(25,000)
Total transfers	<u>(25,000)</u>
Change in net position	641,136
<b>TOTAL NET POSITION - beginning of year</b>	<u>2,974,096</u>
<b>TOTAL NET POSITION - end of year</b>	<u><u>\$ 3,615,232</u></u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 2,225,383
Payments to suppliers	(1,090,715)
Payment for salaries and benefits	(91,574)
Net cash flows from operating activities	<u>1,043,094</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Increase (decrease) in due to (from) other funds	3,948
Transfers (to) from other funds	(25,000)
Other nonoperating revenue	8,667
Net cash flows from noncapital financing activities	<u>(12,385)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets, net of related payables	(46,895)
Impact fees	334,854
Principal paid on notes, bonds and lease obligations	(343,144)
Interest paid on borrowings	(498,766)
Net cash flows from capital and related financing activities	<u>(553,951)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	476,758
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	3,064,784
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 3,541,542</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>	
Operating income (loss)	\$ 705,419
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	324,493
(Increase) decrease in accounts receivable	(57,938)
(Increase) decrease in prepaid expenses	(45,078)
Increase (decrease) in accounts payable	79,911
Increase (decrease) in accrued payroll and compensated absences	(278)
(Increase) decrease in deferred outflows of resources related to pension	8,344
Increase (decrease) in deferred inflows of resources related to pension	(5,957)
Increase (decrease) in the net pension liability	913
Increase (decrease) in customer deposits	33,265
Net cash flows from operating activities	<u>\$ 1,043,094</u>
<b>Noncash financing and investing activities:</b>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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**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, 2017**

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**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 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. 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, 2017**

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**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 government.

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

**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, 2017, all of the City's cash and investments met this definition.

**INVESTMENTS** – All investments are reported at fair value which is the price that would be received to sell an investment in an orderly transaction between market participants. 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, 2017**

**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 \$180,393 at September 30, 2017. 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, 2017, the reserve for doubtful accounts totaled \$59,859 for utility service receivables and \$68,512 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 acquisition cost 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, 2017.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

**PENSIONS** – In the government-wide statement of net position, liabilities are recognized for the City's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The City's retirement plans and related amounts are described in a subsequent note.

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

In addition to liabilities, the statement of net position reports 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The City has deferred outflows/inflows of resources that are related to pensions that qualify for reporting in these categories. The deferred outflows/inflows related to pensions are reported only in the government-wide and proprietary fund statement of net position. A deferred amount related to pensions results from the difference in the expected and actual amounts of experience, earnings, and contributions. These amounts are deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over five years. Actual contributions made to the pension plans subsequent to the measurement date are also reported as deferred outflows of resources at year-end and reflected as a reduction in the net pension liability in the subsequent year.

**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. Debt issuance costs are reported as expenditures/expenses in the period incurred. 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.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

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.

**EQUITY CLASSIFICATIONS -**

**Government-wide Statements** – The difference between (a) assets and deferred outflows of the 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 \$2,401,067 of restricted net position of which \$1,469,639 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.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

*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.

**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, 2017 was 8.0000.

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.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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**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>5,601,082</u>
Total cash and cash equivalents	<u><u>\$ 5,601,657</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 and direct obligations of the U.S. Treasury. The City maintained no investments during the year.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance	Reclassifications	Additions	Reductions	Ending Balance
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 412,542		\$ -	\$ -	\$ 412,542
Construction in progress	4,000	(4,000)	-	-	-
<b>Total</b>	<b>\$ 416,542</b>	<b>\$ (4,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 412,542</b>
<b>Capital assets being depreciated:</b>					
Buildings and Improvements	\$ 3,071,683	\$ 4,000	\$ 16,388	\$ (2)	\$ 3,092,069
Recreational Facilities	482,262	-	14,635	-	496,897
Equipment	439,359	-	98,332	(29,711)	507,980
Infrastructure:					
Sidewalk Systems	111,852	-	17,531	-	129,383
Drainage Systems	75,626	-	-	-	75,626
<b>Total</b>	<b>4,180,782</b>	<b>4,000</b>	<b>146,886</b>	<b>(29,713)</b>	<b>4,301,955</b>
Less, Accumulated Depreciation:					
Buildings and Improvements	(799,073)	-	(73,435)	-	(872,508)
Recreational Facilities	(268,424)	-	(26,042)	28,990	(265,476)
Equipment	(393,787)	-	(21,032)	-	(414,819)
Infrastructure:					
Sidewalk Systems	(26,574)	-	(2,796)	-	(29,370)
Drainage Systems	(21,177)	-	(2,352)	-	(23,529)
<b>Total Accumulated Depreciation</b>	<b>(1,509,035)</b>	<b>-</b>	<b>(125,657)</b>	<b>28,990</b>	<b>(1,605,702)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 2,671,747</b>	<b>\$ 4,000</b>	<b>\$ 21,229</b>	<b>\$ (723)</b>	<b>\$ 2,696,253</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>\$ -</b>	<b>\$ 2,730,736</b>
<b>Capital assets being depreciated:</b>					
Utility Plant	\$ 12,073,317	\$ -	\$ 3,887	\$ -	\$ 12,077,204
Equipment	278,987	-	43,008	(7,600)	314,395
<b>Total</b>	<b>12,352,304</b>	<b>-</b>	<b>46,895</b>	<b>(7,600)</b>	<b>12,391,599</b>
Less, Accumulated Depreciation:					
Utility Plant	(2,939,816)	-	(315,617)	-	(3,255,433)
Equipment	(256,772)	-	(8,876)	7,600	(258,048)
<b>Total Accumulated Depreciation</b>	<b>(3,196,588)</b>	<b>-</b>	<b>(324,493)</b>	<b>7,600</b>	<b>(3,513,481)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 9,155,716</b>	<b>\$ -</b>	<b>\$ (277,598)</b>	<b>\$ -</b>	<b>\$ 8,878,118</b>



**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

Depreciation expense was charged to the following programs and functions:

**Governmental Activities:**

General government	\$ 81,133
Streets	4,474
Parks and recreation	38,159
Stormwater utility	<u>1,891</u>
Total depreciation expense - governmental activities	<u>\$ 125,657</u>

**Business-type Activities:**

Water and sewer	<u>\$ 324,493</u>
Total depreciation expense - business-type activities	<u>\$ 324,493</u>

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 6 - LONG-TERM OBLIGATIONS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Long-Term Debt:					
Notes Payable:					
Series 2007 Capital Improvement					
Revenue Bonds	\$ 1,415,489	\$ -	\$ (43,700)	\$ 1,371,789	\$ 45,503
Total Bonds and Notes Payable	<u>1,415,489</u>	<u>-</u>	<u>(43,700)</u>	<u>1,371,789</u>	<u>45,503</u>
Other Liabilities:					
Compensated Absences	35,448	6,097	-	41,545	-
Net Pension Liability	<u>417,503</u>	<u>55,267</u>	<u>-</u>	<u>472,770</u>	<u>-</u>
Total Other Liabilities	452,951	61,364	-	514,315	-
Total Long-Term Liabilities	<u>\$ 1,868,440</u>	<u>\$ 61,364</u>	<u>\$ (43,700)</u>	<u>\$ 1,886,104</u>	<u>\$ 45,503</u>
<b>Less Amount Due in One Year</b>				<u>\$ (45,503)</u>	
Net Long-Term Debt Due After One Year				<u>\$ 1,840,601</u>	
<b>Business-Type Activities</b>					
Long-Term Debt:					
Notes Payable:					
Installment Note to Florida Department of Environmental Protection	\$ 2,418,117	\$ -	\$ (116,630)	\$ 2,301,487	\$ 119,458
Tax-Exempt Leasing	<u>108,202</u>	<u>-</u>	<u>(20,466)</u>	<u>87,736</u>	<u>21,037</u>
Total Notes Payable	<u>2,526,319</u>	<u>-</u>	<u>(137,096)</u>	<u>2,389,223</u>	<u>140,495</u>
Revenue Certificates:					
Series 2011A Water / Sewer System Capital Improvement and Refunding Revenue Bonds	9,270,000	-	(215,000)	9,055,000	225,000
Less discount on Series 2011A	<u>(133,730)</u>	<u>-</u>	<u>8,952</u>	<u>(124,778)</u>	<u>-</u>
Total Revenue Certificates	<u>9,136,270</u>	<u>-</u>	<u>(206,048)</u>	<u>8,930,222</u>	<u>225,000</u>
Other Liabilities:					
Compensated Absences	773	-	(34)	739	-
Net Pension Liability	<u>52,236</u>	<u>913</u>	<u>-</u>	<u>53,149</u>	<u>-</u>
Total Other Liabilities	53,009	913	(34)	53,888	-
Total Long-Term Liabilities	<u>\$ 11,715,598</u>	<u>\$ 913</u>	<u>\$ (343,178)</u>	<u>\$ 11,373,333</u>	<u>\$ 365,495</u>
<b>Less Amount Due in One Year</b>				<u>(365,495)</u>	
Net Long-Term Debt Due After One Year				<u>\$ 11,007,838</u>	

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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**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, 2017**

**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, 2017, were as follows:

Fiscal Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 45,503	\$ 56,586	\$ 365,495	\$ 479,966
2019	47,380	54,709	373,978	469,733
2020	49,334	52,755	387,547	458,113
2021	51,369	50,720	401,206	444,854
2022	53,488	48,600	391,471	431,105
2023-2027	302,413	208,032	2,161,742	1,938,511
2028-2032	370,149	140,296	2,606,674	1,493,602
2033-2037	452,153	57,390	2,466,110	931,098
2038-2041	-	-	2,290,000	293,250
Less: unamortized bond discount	-	-	(124,778)	-
<b>Total</b>	<b>\$ 1,371,789</b>	<b>\$ 669,088</b>	<b>\$ 11,319,445</b>	<b>\$ 6,940,232</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 7.

<u>Pledged Revenue</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Revenue</u>	<u>% of Revenues to Principal and Interest Paid</u>
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	\$ 2,040,877	\$ 102,089	\$ 281,935	276.17%
Water and sewer system net revenue and sewer impact fees	18,290,515	818,426	1,285,017	157.01%

**POLK CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

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**NOTE 8 - INTERFUND TRANSACTIONS**

Interfund transactions are summarized below:

**Interfund receivables and payables as of September 30, 2017 consisted of:**

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund	\$ 7,445

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, 2017 consisted of:**

Receiving Fund	Paying Fund	Amount
General Fund	Enterprise Fund	\$ 25,000

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**

**Florida Retirement System (FRS) – Defined Benefit Pension Plans**

**General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

**FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. 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 to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

Class	Prior to July 1, 2017		After July 1, 2017	
	Employee	Employer (A)	Employee	Employer (A)
Regular	3.00%	7.52%	3.00%	5.80%
Senior Management	3.00%	21.77%	3.00%	20.05%

Note (A) Employer rates do not include 1.66 percent for the postemployment health insurance subsidy nor the 0.06 percent for administrative costs of the Plan.

The City's contributions to the Plan totaled \$40,068 for the fiscal year ended September 30, 2017.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At September 30, 2017, the City reported a liability of \$380,865 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's contributions for the year ended June 30, 2017 relative to the contributions of all participating members for that period. At June 30, 2017, the City's proportionate share was 0.001287606 percent, which was an increase of 0.000014396 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$74.166. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,954	\$ 2,110
Change of assumptions	127,998	
Net difference between projected and actual earnings on FRS pension plan investments	-	9,439
Changes in proportion and differences between City FRS contributions and proportionate share of contributions	35,777	7,946
City FRS contributions subsequent to the measurement date	12,407	-
Total	<u>\$ 211,136</u>	<u>\$ 19,495</u>

The deferred outflows of resources related to pensions, totaling \$12,407, resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

Fiscal Year Ending September 30	Amount
2018	\$ 30,492
2019	63,257
2020	43,029
2021	7,805
2022	25,007
Thereafter	9,644
	\$ 179,234

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	<u>12.0%</u>	6.1%	5.6%	9.7%
<b>Total</b>	<u><u>100%</u></u>			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Pension Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.10 percent) or 1 percentage-point higher (8.10 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 689,343</u>	<u>\$ 380,865</u>	<u>\$124,758</u>

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At September 30, 2017, the City reported a payable of \$-0- for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2017.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

**HIS Pension Plan**

*Plan Description.* The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided.* For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution rate for the period of July 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$6,898 for the fiscal year ended September 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.* At September 30, 2017, the City reported a net pension liability of \$145,054 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's contributions for the year ended June 30, 2017 relative to the contributions of all participating members for that period. At June 30, 2017, the City's proportionate share was 0.001356602% percent, which was an increase of 0.000058795 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized the HIS Plan pension expense of \$14,845. In addition, the City reported deferred outflows of resources related to pensions from the following sources:

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 302
Change of assumptions	20,390	12,543
Net difference between projected and actual earnings on HIS pension plan investments	80	-
Changes in proportion and differences between City HIS contributions and proportionate share of HIS contributions	19,794	3,263
City contributions subsequent to the measurement date	2,534	-
 Total	 <u>\$ 42,798</u>	 <u>\$ 16,108</u>

The deferred outflows of resources, totaling \$2,534, was related to pensions resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2018	\$ 6,188
2019	6,173
2020	6,166
2021	5,209
2022	1,507
Thereafter	(1,087)
	<u>\$ 24,156</u>

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Discount rate	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**POLK CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Conference.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
City's proportionate share of the net pension liability	\$ 165,526	\$ 145,054	\$ 128,002

*Pension Plan Fiduciary Net Position.* Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan.* At September 30, 2017, the City reported a payable of \$-0- for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

**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 an Other Post Employment Benefit (OPEB) obligation of zero. Accordingly, there is no OPEB obligation recorded in the financial statements.

**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

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

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**NOTE 11 – COMMITMENTS AND CONTINGENCIES** (cont...)

- The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2017, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.
- Effective October 17, 2016, the City contracted with the Polk County Sheriff to provide enhanced law enforcement services within the City through the fiscal year ended September 30, 2021. Under the agreement, the City shall pay \$97,363 for base services for the fiscal year ended September 30, 2018. The annual cost increases 2% per year over the term of the contract. The City paid \$95,454 for the year ended September 30, 2017.
- Effective October 1, 2016, the City entered into a contract with a Aquarina Waterworks, Inc. for all routine 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 not exceed the sum of \$38,542 per month during the first 12 months of the contract and shall increase by two percent each year for the next two years. On August 7, 2017 the City exercised its rights under the terms of the agreement and terminated the contract effective October 1, 2017. On September 26, 2017 the City entered into an extension of the contract with Aquarina Waterworks, Inc. for the period of October 1, 2017 through December 31, 2017.

**NOTE 12 – RISK MANAGEMENT AND LITIGATION**

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2017 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.

**NOTE 13 – SUBSEQUENT EVENTS**

On December 20, 2017, the City executed a promissory note with a local bank in the amount of \$1,400,000 which is scheduled to mature January 1, 2033 with an interest rate of 3.4%. The promissory note was executed to refund the governmental activities' Series 2007 Capital Improvement Revenue Bonds.

On December 28, 2017, the City issued Water and Sewer System Refunding Revenue Bonds, Series 2017 in the amount of \$8,555,000 maturing August 1, 2041 with an average coupon of 4.04%. The bond proceeds, bond premiums and existing City sinking and reserve funds were used to perform an advance refunding of the business-type activities' Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A.



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## **REQUIRED SUPPLEMENTARY INFORMATION**



**POLK CITY, FLORIDA  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RESOURCES (inflows):</b>				
Taxes	\$ 1,052,741	\$ 1,077,875	\$ 1,133,754	\$ 55,879
Licenses and permits	82,600	191,050	296,727	105,677
Intergovernmental revenue	280,706	292,706	290,378	(2,328)
Charges for services	292,732	292,732	300,657	7,925
Fines and forfeitures	200	200	5,842	5,642
Impact fees	68,009	68,009	347,601	279,592
Other	10,498	10,498	38,349	27,851
Amounts available for appropriations	<u>1,787,486</u>	<u>1,933,070</u>	<u>2,413,308</u>	<u>480,238</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
General government	471,511	480,511	494,901	(14,390)
Public safety	206,794	305,199	311,791	(6,592)
Physical environment	304,392	314,892	324,716	(9,824)
Transportation	290,050	290,050	261,697	28,353
Culture/recreation	188,432	188,432	193,275	(4,843)
Capital outlay	303,573	331,252	353,933	(22,681)
Debt service	130,589	130,589	102,089	28,500
Total charges to appropriations	<u>1,895,341</u>	<u>2,040,925</u>	<u>2,042,402</u>	<u>(1,477)</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<u>(107,855)</u>	<u>(107,855)</u>	<u>370,906</u>	<u>478,761</u>
<b>OTHER FINANCING SOURCES (USES);</b>				
Transfer from enterprise fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS AND OTHER FINANCING SOURCES</b>	<u>(82,855)</u>	<u>(82,855)</u>	<u>\$ 395,906</u>	<u>\$ 478,761</u>
Cash carried forward to subsequent year	161,000	161,000		
Reserves carried to subsequent year	<u>(78,145)</u>	<u>(78,145)</u>		
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>		

**POLK CITY, FLORIDA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
SCHEDULE OF CITY CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN**

**Schedule of the City's Proportionate Share  
of the Net Pension Liability –  
Florida Retirement System Pension Plan (1)**

	2017	2016	2015	2014
City's proportion of the FRS net pension liability (asset)	0.001287606%	0.001273210%	0.001355257%	0.001118460%
City's proportionate share of the FRS net pension liability (asset)	\$ 380,865	\$ 321,486	\$ 175,050	\$ 68,243
City's covered payroll	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
City's proportionate share of the FRS net pension liability (asset) as a percentage of its covered payroll	91.66%	84.78%	45.96%	20.63%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP because total employer contributions are determined on a uniform basis (blended rate).

**Schedule of City Contributions –  
Florida Retirement System Pension Plan (1)**

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 40,068	\$ 34,559	\$ 32,616	\$ 24,499
FRS contributions in relation to the contractually required contribution	40,068	34,559	32,616	24,499
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
FRS contributions as a percentage of covered payroll	9.64%	9.11%	8.56%	7.41%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP.

**POLK CITY, FLORIDA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
SCHEDULE OF CITY CONTRIBUTIONS –HEALTH INSURANCE SUBSIDY PENSION PLAN**

**Schedule of the City's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan (1)**

	2017	2016	2015	2014
City's proportion of the HIS net pension liability (asset)	0.001356602%	0.001297807%	0.001345924%	0.001092189%
City's proportionate share of the HIS net pension liability (asset)	\$ 145,054	\$ 151,254	\$ 137,263	\$ 102,122
City's covered payroll	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
City's proportionate share of the HIS net pension liability (asset) as a percentage of its covered payroll	34.91%	39.89%	36.04%	30.87%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.50%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP because total employer contributions are determined on a uniform basis (blended rate).

**Schedule of City Contributions –  
Health Insurance Subsidy Pension Plan (1)**

	2017	2016	2015	2014
Contractually required HIS contribution	\$ 6,898	\$ 6,294	\$ 5,455	\$ 3,741
HIS contributions in relation to the contractually required contribution	6,898	6,294	5,455	3,741
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.43%	1.13%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP.

**POLK CITY, FLORIDA**

**NOTES TO THE SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND HEALTH INSURANCE SUBSIDY PENSION PLAN**

**1. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*Changes of Assumptions:*

- a. The discount rate decreased from 7.60 percent to 7.10 percent.
- b. The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent.

**2. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan**

*Changes of Assumptions:*

- a. The discount rate was increased from 2.85 percent to 3.58 percent
- b. The municipal bond rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.

*Program Contribution Rates* – The Health Insurance Subsidy Pension Plan (HIS) uses a “pay-as-you-go” funding structure. As of June 30, 2017, accumulated HIS assets constituted approximately five months of projected benefit payments. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements and the amount of payroll on which the statutory rate is charged.



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## **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, 2017, 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 June 1, 2018.

***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

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***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  
June 1, 2018



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, 2017. Management is responsible for Polk City, Florida's compliance with those specified 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. Those standards required that we plan and perform the examination to obtain reasonable assurance about whether Polk City, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Polk City, Florida complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of Polk City, Florida's compliance with the 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, 2017.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
June 1, 2018

## 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 Polk City, Florida as of and for the year ended September 30, 2017, and have issued our report thereon dated June 1, 2018.

### ***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***

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 June 1, 2018, should be considered in conjunction with this management letter.

### ***Prior Audit Findings***

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding 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 and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and 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 of the financial statements of Polk City, Florida, the results of our tests did not indicate Polk City, Florida met any of the specified 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.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for Polk City, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. Our comparison of these two reports resulted in no material differences.

**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  
June 1, 2018