



# **POLK CITY, FLORIDA**

**FINANICAL STATEMENTS**

**SEPTEMBER 30, 2019**

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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 (the "City") as of and for the year ended September 30, 2019, 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, 2019, 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, *Florida Statutes* and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. The other information section is also presented for purposes of additional analysis as required by Section 163.31801, *Florida Statutes* and is not a required part of the basic financial statements. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this section.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, on our consideration of the 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 the Polk City, Florida's internal control over financial reporting and compliance.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
June 23, 2020

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**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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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, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 13.

**Financial Highlights**

- The assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$3,839,120 as of September 30, 2019.
- For the year ended September 30, 2019, the governmental activities increase the net position of the City by \$407,377 and the business-type activities increased the net position of the City by \$989,961 for an overall increase in net position of \$1,397,338.
- The City's unrestricted cash and cash equivalents totaled \$4,220,254, an increase of \$670,650 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 \$3,251,686, an increase of \$578,515 in comparison with the prior year. As of September 30, 2019, the City's unassigned and assigned fund balance totaled \$2,244,258 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, 2019**

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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, building and zoning, parks and recreation, and stormwater utility. The business-type activities include water and sewer.

**Fund Financial Statements**

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The basic Governmental Funds financial statements can be found by referencing the table of contents.

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

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found by referencing the table of contents.

**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.



**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**Government-Wide Financial Analysis**

The following table reflects a summary of Net Position compared to prior year. For more detailed information, see the Statement of Net Position on page 13.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Assets</b>						
Current and other assets	\$ 2,893,597	\$ 3,344,110	\$ 3,809,992	\$ 4,158,053	\$ 6,703,589	\$ 7,502,163
Capital assets	3,334,714	3,219,316	11,725,013	13,481,193	15,059,727	16,700,509
<b>Total assets</b>	<b>6,228,311</b>	<b>6,563,426</b>	<b>15,535,005</b>	<b>17,639,246</b>	<b>21,763,316</b>	<b>24,202,672</b>
<b>Deferred Outflow of Resources</b>						
	284,699	373,126	956,717	914,616	1,241,416	1,287,742
<b>Liabilities</b>						
Long-term liabilities outstanding	1,916,519	2,061,565	11,643,234	12,428,757	13,559,753	14,490,322
Other liabilities	220,426	92,424	396,935	684,348	617,361	776,772
<b>Total liabilities</b>	<b>2,136,945</b>	<b>2,153,989</b>	<b>12,040,169</b>	<b>13,113,105</b>	<b>14,177,114</b>	<b>15,267,094</b>
<b>Deferred Inflow of Resources</b>						
	52,851	51,972	15,307	14,550	68,158	66,522
<b>Net Position</b>						
Net Invested in capital assets	1,981,274	1,940,195	1,155,258	1,868,676	3,136,532	3,808,871
Restricted	845,696	1,007,428	1,551,722	1,501,379	2,397,418	2,508,807
Unrestricted	1,496,244	1,782,968	1,729,266	2,056,152	3,225,510	3,839,120
<b>Total net position</b>	<b>\$ 4,323,214</b>	<b>\$ 4,730,591</b>	<b>\$ 4,436,246</b>	<b>\$ 5,426,207</b>	<b>\$ 8,759,460</b>	<b>\$ 10,156,798</b>

Thirty-eight 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. 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.

Twenty-seven 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, 2019**

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

	<b>Statement of Activities (Summary)</b>					
	<b>For the year ended September 30,</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 841,301	\$ 639,784	\$ 2,272,594	\$ 2,411,484	\$ 3,113,895	\$ 3,051,268
Operating grants and contributions	97,076	137,127	-	-	97,076	137,127
Capital grants and contributions	386,352	166,097	838,847	425,523	1,225,199	591,620
General revenues:						
Property taxes	603,370	782,473	-	-	603,370	782,473
Franchise/Public Ser. Tax	471,916	513,227	-	-	471,916	513,227
State shared revenues	183,090	197,687	-	-	183,090	197,687
Fuel taxes levied for transportation	146,128	154,360	-	-	146,128	154,360
Other	33,142	16,159	791	6,518	33,933	22,677
<b>Total revenues</b>	<b>2,762,375</b>	<b>2,606,914</b>	<b>3,112,232</b>	<b>2,843,525</b>	<b>5,874,607</b>	<b>5,450,439</b>
<b>Expenses</b>						
General government	628,735	783,194	-	-	628,735	783,194
Library	124,288	151,527	-	-	124,288	151,527
Law enforcement	98,130	127,294	-	-	98,130	127,294
Building and zoning	238,032	293,762	-	-	238,032	293,762
Code enforcement	-	44,230	-	-	-	44,230
Public works administratin	123,131	118,802	-	-	123,131	118,802
Sanitation	220,816	240,338	-	-	220,816	240,338
Streets	340,657	361,364	-	-	340,657	361,364
Parks and recreation	87,289	54,733	-	-	87,289	54,733
Stormwater	26,145	3,803	-	-	26,145	3,803
Interest on long-term debt	56,804	45,490	-	-	56,804	45,490
Public utilities	-	-	2,107,627	1,828,564	2,107,627	1,828,564
<b>Total expenses</b>	<b>1,944,027</b>	<b>2,224,537</b>	<b>2,107,627</b>	<b>1,828,564</b>	<b>4,051,654</b>	<b>4,053,101</b>
<b>Increase (decrease) in net position before transfers</b>	<b>818,348</b>	<b>382,377</b>	<b>1,004,605</b>	<b>1,014,961</b>	<b>1,822,953</b>	<b>1,397,338</b>
Transfers	183,591	25,000	(183,591)	(25,000)	-	-
<b>Increase (decrease) in net position</b>	<b>1,001,939</b>	<b>407,377</b>	<b>821,014</b>	<b>989,961</b>	<b>1,822,953</b>	<b>1,397,338</b>
Net position - October 1	3,321,275	4,323,214	3,615,232	4,436,246	6,936,507	8,759,460
<b>Net position - September 30</b>	<b>\$ 4,323,214</b>	<b>\$ 4,730,591</b>	<b>\$ 4,436,246</b>	<b>\$ 5,426,207</b>	<b>\$ 8,759,460</b>	<b>\$ 10,156,798</b>

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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**Governmental Activities** – Governmental activities increased the City's net position by \$407,377 after a net transfer of \$25,000 from the business-type activities. In the prior year, net position increased by \$1,001,939 as a result of operations which included a \$183,591 transfer from the business-type activities.. Total revenue for the year ended September 30, 2019 decreased by \$165,253 or 5.6% and expenses increased by \$280,510 or 14.4%.

**Significant items experienced in FY 2019 – Governmental Activities:**

- Purchased a 20 ft. lawn equipment trailer (replacement)—Streets and Roads Department (split with water and sewer)
- Purchased a Toro 25 HP Kohler mower – Streets and Roads Department
- Updated Engineer Plans for Donald Bronson Center Parking Lot
- Installed new web-based access panels for City Hall outside entrances and offices w/software
- Installed new programable thermostats in all city facilities (general fund and enterprise fund)
- Drain-field repair and Public Works/Utilities Facility
- Purchase Office Furniture for Finance Department, Utility Billing

**Business-type Activities** - Business-type activities increased the City's net position by \$989,961 compared to an increase of \$821,014 in the prior year. There was a net transfer of \$25,000 to the governmental activities in the current year and \$183,591 in the prior year. Total revenue for the year ended September 30, 2019 decreased by \$268,707 or 8.6% and expenses decreased by \$279,063 or 13.2%.

**Significant items experienced in FY 2019 – Business-type Activities**

- Grimes Road Water Line Extension – 6" line
- Purchase of Two 2019 Ford F-250's with box – Water Department and Sewer Department
- Purchase Water Pump Adapter – Water Department
- Purchased Harmony Mobile Reading System
- 100/3 Breaker and size 2 starter with auxiliary controls – Voyles Loop Lift Station
- Electric for Sludge Box – Cardinal Hill WWTF
- Concrete Slab for Sludge Box – Cardinal Hill WWTF
- Sludge Box System at Cardinal Hill WWTF
- Relocation of S.R. 33 Sprayfield – DEP Project – Engineering and Construction

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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**Fund Level Financial Analysis**

**Governmental Funds** - As of September 30, 2019, the City's governmental fund reported combined ending fund balances of \$3,251,686. This is an increase of \$578,515 over the prior year ending fund balances of \$2,673,171. The main causes of the increase are as follows:

- Total revenue decreased by \$155,460 or 5.6% mainly due to decrease in licenses and permits, and impact fees. Licenses and permits decreased by \$223,086 and impact fees decreased by \$208,845 over the prior fiscal year.
- Total expenditures decreased by \$1,526,434 or 42.6% mainly due to decreased debt service expenditures. Debt service expenditures decreased by \$1,360,063 over the prior fiscal year due to the refinancing of the Series 2007 Capital Improvement Revenue Bonds in the prior year.

**Proprietary Funds** - These services combined to generate operating income of \$985,565. Compare that to the prior year operating income of \$789,862. Due to continued growth in the water and sewer operations.

**General Fund Budgetary Highlights** - The City adopts an annual appropriated budget each year in September. Budgetary comparison statements have been provided to demonstrate compliance with the budget which can be found by referencing the table of contents. Budget comparison reporting is included for the General Fund. Actual revenue was less than the final budgeted amounts by \$47,562, and actual expenditures were less than final budgeted appropriations by \$312,815.

Overall the Fiscal Year 2019 Budget had a positive impact on Polk City's financial picture for the General Fund and Enterprise Fund.

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**Capital Asset And Debt Administration**

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

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

<b>Capital Assets Activity</b> as of September 30,						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</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	-	-	161,736	2,080,266	161,736	2,080,266
<b>Total</b>	<b>412,542</b>	<b>412,542</b>	<b>2,892,472</b>	<b>4,811,002</b>	<b>3,305,014</b>	<b>5,223,544</b>
<b>Depreciated Assets</b>						
Buildings and improvements	3,418,161	3,418,161	-	-	3,418,161	3,418,161
Recreational facilities	503,467	503,467	-	-	503,467	503,467
Vehicles and equipment	542,145	558,227	400,048	470,766	942,193	1,028,993
Infrastructure	205,009	205,009	-	-	205,009	205,009
Utility plants	-	-	12,268,965	12,366,533	12,268,965	12,366,533
Subtotal	4,668,782	4,684,864	12,669,013	12,837,299	17,337,795	17,522,163
Accumulated depreciation	(1,746,610)	(1,878,090)	(3,836,472)	(4,167,108)	(5,583,082)	(6,045,198)
<b>Total</b>	<b>\$ 2,922,172</b>	<b>\$ 2,806,774</b>	<b>\$ 8,832,541</b>	<b>\$ 8,670,191</b>	<b>\$ 11,754,713</b>	<b>\$ 11,476,965</b>

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$16,700,509 (net of accumulated depreciation) compared to \$15,059,727 last year. That is an increase of \$1,640,782 from the prior year.

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

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**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>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
Revenue notes	\$ -	\$ -	\$ 9,075,609	\$ 8,787,903	\$ 9,075,609	\$ 8,787,903
Notes payable	1,353,441	1,279,121	2,408,728	3,424,801	3,762,169	4,703,922
<b>Total</b>	<b>\$ 1,353,441</b>	<b>\$ 1,279,121</b>	<b>\$ 11,484,337</b>	<b>\$ 12,212,704</b>	<b>\$ 12,837,778</b>	<b>\$ 13,491,825</b>

The Governmental Activities had total debt outstanding of \$1,279,121 which compares to \$1,353,441 in the prior year. This consists of the Citizens Bank and Trust Installment Note for the refunding of the Series 2007 Capital Improvement Revenue Bonds for the construction of the Polk City Government Center.

The Business-type Activities had total debt outstanding of \$12,212,704 which compares to \$11,484,337 in the prior year. This consists of the Series 2017 Water/Sewer System Refunding Revenue Bonds, the installment notes to the Florida Department of Environmental Protection, and the Tax-Exempt Lease Purchase Agreement.

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

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

The following items were considered in developing the 2019-2020 budget:

- For the Fiscal Year 2019-2020 Budget, the millage rate was reduced to 6.0000 mills; the previous millage was 7.25 mills
- There will be an increase in Ad Valorem Revenue due to current growth
- Due to the current growth, it is anticipated there will be an increase in Utility Taxes, Franchise Fees, Communication Services Taxes, Half Cent Sales Tax, Revenue Sharing, and Solid Waste.
- It is anticipated to apply for Community Development Block Grant Funds from Florida Department of Economic Opportunity, which is more competitive (\$650,000)
- It is anticipated to have an increase in Charges for Services – water and wastewater
- It is anticipated the carpet will be replaced in the Donald Bronson Community Center and parts of the Polk City Government Center. The foyer in the Polk City Government Center will also be replaced with tile
- The inmate van will be replaced with the purchase of an F-250 Truck – crew cab

**Polk City, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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**Economic Factors and Next Year's Budget And Rates** (concluded)

The following items were considered in developing the 2019-2020 budget (concluded):

- Purchase of software for the Building Department and the Code Enforcement Department
- Purchase of video system for the Public Works / Utilities Facility
- Paving of Hydrangea Avenue, Library Parking lot and Donald Bronson Community Center Parking lot
- Purchase of F-250 P/U Truck – standard cab to replace the 2002 Truck
- Anticipated repairs at the Fishing Pier, Freedom Park and 2<sup>nd</sup> Street Pocket Park
- Purchase of F-250 with box for Utilities Department to replace 2003
- Purchase of Deluxe Trailer Jetter for Utilities Department (can also be used with stormwater)
- Purchase of Mini Excavator (used) to be used for Utilities and Public Works
- Replacement of two hydromatic water tanks at Jacob Road Water Plant
- ARV replacement at Commonwealth, Mt. Olive WTP and the Commonwealth WTP
- Cardinal Hill WWTF -- Valve replacement, upgrade C12 contact chamber buffers, replace splitter box
- Surge Protectors for by-pass at lift stations
- Completion of Relocation of S.R. 33 Spray-field

**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, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,216,225	\$ 2,004,029	\$ 4,220,254
Receivables, current:			
Customer accounts, net	43,677	200,230	243,907
Intergovernmental	45,928	-	45,928
Franchise and public service taxes	30,852	-	30,852
Prepaid expenses	-	37,364	37,364
Restricted assets:			
Cash and cash equivalents	1,007,428	1,916,430	2,923,858
Capital assets:			
Non-depreciable	412,542	4,811,002	5,223,544
Depreciable, net	2,806,774	8,670,191	11,476,965
<b>TOTAL ASSETS</b>	<b>6,563,426</b>	<b>17,639,246</b>	<b>24,202,672</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	373,126	104,459	477,585
Deferred charge on bond refunding	-	810,157	810,157
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>373,126</b>	<b>914,616</b>	<b>1,287,742</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 74,474	\$ 13,634	\$ 88,108
Accrued payroll	14,162	5,932	20,094
Accrued interest payable	-	53,780	53,780
Due to other governments	103	2,397	2,500
Construction payable	-	300,231	300,231
Customer deposits	3,685	308,374	312,059
Long-term liabilities:			
Due within one year	76,922	399,250	476,172
Due in more than one year	1,984,643	12,029,507	14,014,150
<b>TOTAL LIABILITIES</b>	<b>2,153,989</b>	<b>13,113,105</b>	<b>15,267,094</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	51,972	14,550	66,522
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>51,972</b>	<b>14,550</b>	<b>66,522</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,940,195	1,868,676	3,808,871
Restricted for:			
Transportation infrastructure	112,005	-	112,005
General government facilities	257,361	-	257,361
Law enforcement	141,088	-	141,088
Fire / rescue	96,586	-	96,586
Parks and recreation capital improvements	289,164	-	289,164
Building code enforcement	111,224	-	111,224
Water system improvements	-	348,156	348,156
Waste water system improvements	-	1,069,803	1,069,803
Debt service	-	83,420	83,420
Unrestricted	1,782,968	2,056,152	3,839,120
<b>TOTAL NET POSITION</b>	<b>\$ 4,730,591</b>	<b>\$ 5,426,207</b>	<b>\$ 10,156,798</b>

See Accompanying Notes to Financial Statements



POLK CITY, FLORIDA  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	\$ 783,194	\$ 16,510	\$ 103,251	\$ 73,416	\$ (590,017)	\$ -	\$ (590,017)
Library	151,527	7,210	33,876	-	(110,441)	-	(110,441)
Law enforcement	127,294	11,167	-	27,090	(89,037)	-	(89,037)
Fire / rescue	-	-	-	14,495	14,495	-	14,495
Building and zoning	293,762	251,157	-	-	(42,605)	-	(42,605)
Code enforcement	44,230	-	-	-	(44,230)	-	(44,230)
Public works administration	118,802	-	-	-	(118,802)	-	(118,802)
Sanitation	240,338	303,419	-	-	63,081	-	63,081
Streets	361,364	16,304	-	-	(345,060)	-	(345,060)
Parks and recreation	54,733	-	-	51,096	(3,637)	-	(3,637)
Stormwater utility	3,803	34,017	-	-	30,214	-	30,214
Interest on long term debt	45,490	-	-	-	(45,490)	-	(45,490)
<b>Total governmental activities</b>	<u>2,224,537</u>	<u>639,784</u>	<u>137,127</u>	<u>166,097</u>	<u>(1,281,529)</u>	<u>-</u>	<u>(1,281,529)</u>
<b>Business-type Activities:</b>							
Water and sewer utility	1,828,564	2,411,484	-	425,523	-	1,008,443	1,008,443
<b>Total business-type activities</b>	<u>1,828,564</u>	<u>2,411,484</u>	<u>-</u>	<u>425,523</u>	<u>-</u>	<u>1,008,443</u>	<u>1,008,443</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 4,053,101</u>	<u>\$ 3,051,268</u>	<u>\$ 137,127</u>	<u>\$ 591,620</u>	<u>(1,281,529)</u>	<u>1,008,443</u>	<u>(273,086)</u>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					782,473	-	782,473
Franchise taxes					107,785	-	107,785
Public service taxes					405,442	-	405,442
Fuel taxes levied for transportation					154,360	-	154,360
State shared revenue					197,687	-	197,687
Investment earnings					1,009	-	1,009
Miscellaneous					15,150	6,518	21,668
<b>Transfers</b>					25,000	(25,000)	-
<b>Total General Revenues and Transfers</b>					<u>1,688,906</u>	<u>(18,482)</u>	<u>1,670,424</u>
Change in net position					407,377	989,961	1,397,338
<b>NET POSITION - beginning of year</b>					<u>4,323,214</u>	<u>4,436,246</u>	<u>8,759,460</u>
<b>NET POSITION - end of year</b>					<u>\$ 4,730,591</u>	<u>\$ 5,426,207</u>	<u>\$ 10,156,798</u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2019**

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	<b>General Fund</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,216,225
Receivables, net:	
Customer accounts, net	43,677
Intergovernmental	45,928
Franchise and public service taxes	30,852
Restricted assets:	
Cash and cash equivalents	1,007,428
<b>TOTAL ASSETS</b>	<u><u>\$ 3,344,110</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable	\$ 74,474
Accrued payroll	14,162
Due to other governments	103
Customer deposits	3,685
<b>TOTAL LIABILITIES</b>	<u>92,424</u>
 <b>FUND BALANCE:</b>	
Restricted for:	
Highways / streets	112,005
General government facilities	257,361
Law enforcement	141,088
Fire / rescue	96,586
Parks and recreation	289,164
Building code enforcement	111,224
Assigned to:	
Emergency reserve	240,689
Unassigned:	2,003,569
<b>TOTAL FUND BALANCE</b>	<u>3,251,686</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 3,344,110</u></u>

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, 2019**

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**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 3,251,686**

**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. 3,219,316

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	373,126
Deferred inflows related to pensions	(51,972)

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	(1,279,121)
Compensated absences payable	(43,496)
Net pension liability	(738,948)

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,730,591</b>
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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, 2019**

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	<b>General Fund</b>
<b>REVENUES:</b>	
Taxes	\$ 1,456,664
Licenses and permits	251,157
Intergovernmental revenue	330,394
Charges for services	361,125
Fines and forfeitures	11,167
Impact fees	157,647
Other	38,760
Total revenues	<u>2,606,914</u>
<b>EXPENDITURES:</b>	
General government	622,146
Public safety	445,961
Physical environment	361,052
Transportation	331,290
Culture/recreation	148,045
Capital outlay	25,095
Debt service	119,810
Total expenditures	<u>2,053,399</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>553,515</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>578,515</u>
<b>FUND BALANCE, beginning of year</b>	<u>2,673,171</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 3,251,686</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, 2019**

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 578,515</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
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.	18,551
This is the amount of depreciation recorded in the current period.	(133,949)
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.	74,320
This amount represents the change in compensated absence liability.	(3,705)
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.	
This amount represents the change in deferred outflows related to pensions.	88,427
This amount represents the change in deferred inflows related to pensions.	879
This amount represents the change in the net pension liability.	(215,661)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 407,377</b>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**AS OF SEPTEMBER 30, 2019**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,004,029
Customer accounts receivable, net	200,230
Prepaid expenses	37,364
Total current assets	<u>2,241,623</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,916,430
Capital assets, net:	
Non-depreciable	4,811,002
Depreciable, net	8,670,191
Total noncurrent assets	<u>15,397,623</u>
<b>TOTAL ASSETS</b>	<u>17,639,246</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	104,459
Deferred charge on bond refunding	810,157
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>914,616</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	13,634
Accrued payroll	5,932
Bonds and notes payable, current portion	399,250
Accrued interest payable	53,780
Due to other governments	2,397
Construction payable	300,231
Total current liabilities	<u>775,224</u>
Noncurrent liabilities:	
Customer deposits	308,374
Compensated absences	9,180
Net pension liability	206,873
Bonds and notes payable, noncurrent portion	11,813,454
Total noncurrent liabilities	<u>12,337,881</u>
<b>TOTAL LIABILITIES</b>	<u>13,113,105</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	14,550
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>14,550</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,868,676
Restricted for:	
Water system improvements	348,156
Waste water system improvements	1,069,803
Debt service	83,420
Unrestricted	2,056,152
<b>TOTAL NET POSITON</b>	<u>\$ 5,426,207</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, 2019**

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	<b>Enterprise Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 2,411,484
Total operating revenues	<u>2,411,484</u>
<b>OPERATING EXPENSES:</b>	
Personnel services	446,466
Operating expenses	648,817
Depreciation	330,636
Total operating expenses	<u>1,425,919</u>
<b>OPERATING INCOME</b>	<u>985,565</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>	
Interest expense	(402,645)
Other nonoperating revenue (expense), net	<u>6,518</u>
Total nonoperating revenues (expenses)	<u>(396,127)</u>
Income (loss) before contributions	<u>589,438</u>
<b>CAPITAL CONTRIBUTIONS:</b>	
State grants	128,000
Impact fees	<u>297,523</u>
Total capital contributions	<u>425,523</u>
<b>TRANSFERS IN (OUT)</b>	
Transfers to other funds	<u>(25,000)</u>
Total transfers	<u>(25,000)</u>
Change in net position	989,961
<b>TOTAL NET POSITION - beginning of year</b>	<u>4,436,246</u>
<b>TOTAL NET POSITION - end of year</b>	<u><u>\$ 5,426,207</u></u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 2,410,002
Payments to suppliers	(672,767)
Payment for salaries and benefits	(410,299)
Net cash flows from operating activities	<u>1,326,936</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers (to) from other funds	(25,000)
Other nonoperating revenue	6,518
Net cash flows from noncapital financing activities	<u>(18,482)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets, net of related payables	(1,786,585)
Impact fees	297,523
Bond proceeds	1,285,213
Principal paid on notes, bonds and lease obligations	(428,846)
Interest paid on borrowings	(337,061)
Net cash flows from capital and related financing activities	<u>(969,756)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	338,698
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,581,761</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 3,920,459</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>	
Operating income (loss)	\$ 985,565
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	330,636
(Increase) decrease in accounts receivable	(18,069)
(Increase) decrease in prepaid expenses	5,750
Increase (decrease) in accounts payable	(29,700)
Increase (decrease) in accrued payroll and compensated absences	3,611
Increase (decrease) in deferred outflows of resources related to pension	(22,004)
Increase (decrease) in deferred inflows of resources related to pension	(757)
Increase (decrease) in the net pension liability	55,317
Increase (decrease) in customer deposits	16,587
Net cash flows from operating activities	<u>\$ 1,326,936</u>
<b>Noncash financing and investing activities:</b>	
Florida Department of Environmental Protection Loan WW531400 Loan Forgiveness	<u>\$ 128,000</u>

See Accompanying Notes to Financial Statements



**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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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, 2019**

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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, 2019**

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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, 2019, 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, 2019**

**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 \$226,414 at September 30, 2019. 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, 2019, the reserve for doubtful accounts totaled \$51,530 for utility service receivables and \$68,836 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, 2019.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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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 the difference between expected and actual 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.

The City also reports a deferred charge on bond refunding as a deferred outflow of resources which is the difference in the carrying value of a refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**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 any bond insurance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs, other than bond insurance 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 240 hours for all employees. Upon termination, employees will be paid for 100% of the current year unused vacation and 50% for any prior year earned vacation that had been carried over to the year of termination. Eligible employees accumulate two personal days a year not to exceed ten days.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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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 capital assets, net of accumulated depreciation, prepaid bond insurance costs and the deferred charge on bond refunding which is then 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 \$2,508,807 of restricted net position of which \$2,425,387 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, 2019**

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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, 2019 was 7.2500.

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, 2019**

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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>7,143,537</u>
Total cash and cash equivalents	<u><u>\$ 7,144,112</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, 2019**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 412,542		\$ -	\$ -	\$ 412,542
<b>Total</b>	<b>\$ 412,542</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 412,542</b>
<b>Capital assets being depreciated:</b>					
Buildings and Improvements	\$ 3,418,161	\$ -	\$ -	\$ -	\$ 3,418,161
Recreational Facilities	503,467	-	-	-	503,467
Equipment	542,145	-	18,551	(2,469)	558,227
Infrastructure:					
Sidewalk Systems	129,383	-	-	-	129,383
Drainage Systems	75,626	-	-	-	75,626
<b>Total</b>	<b>4,668,782</b>	<b>-</b>	<b>18,551</b>	<b>(2,469)</b>	<b>4,684,864</b>
Less, Accumulated Depreciation:					
Buildings and Improvements	(955,272)	-	(84,819)	-	(1,040,091)
Recreational Facilities	(319,440)	-	(17,478)	-	(336,918)
Equipment	(413,436)	-	(26,089)	2,469	(437,056)
Infrastructure:					
Sidewalk Systems	(33,043)	(461)	(3,673)	-	(37,177)
Drainage Systems	(25,419)	461	(1,890)	-	(26,848)
<b>Total Accumulated Depreciation</b>	<b>(1,746,610)</b>	<b>-</b>	<b>(133,949)</b>	<b>2,469</b>	<b>(1,878,090)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 2,922,172</b>	<b>\$ -</b>	<b>\$ (115,398)</b>	<b>\$ -</b>	<b>\$ 2,806,774</b>
<b>Business-Type Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 2,730,736	\$ -	\$ -	\$ -	\$ 2,730,736
Construction in progress	161,736.00	(60,164)	1,978,694	-	2,080,266
<b>Total</b>	<b>\$ 2,892,472</b>	<b>\$ (60,164)</b>	<b>\$ 1,978,694</b>	<b>\$ -</b>	<b>\$ 4,811,002</b>
<b>Capital assets being depreciated:</b>					
Utility Plant	\$ 12,268,965	\$ 60,164	\$ 37,404	\$ -	\$ 12,366,533
Equipment	400,048	-	70,718	-	470,766
<b>Total</b>	<b>12,669,013</b>	<b>60,164</b>	<b>108,122</b>	<b>-</b>	<b>12,837,299</b>
Less, Accumulated Depreciation:					
Utility Plant	(3,565,342)	-	(305,093)	-	(3,870,435)
Equipment	(271,130)	-	(25,543)	-	(296,673)
<b>Total Accumulated Depreciation</b>	<b>(3,836,472)</b>	<b>-</b>	<b>(330,636)</b>	<b>-</b>	<b>(4,167,108)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 8,832,541</b>	<b>\$ 60,164</b>	<b>\$ (222,514)</b>	<b>\$ -</b>	<b>\$ 8,670,191</b>

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

Depreciation expense was charged to the following programs and functions:

**Governmental Activities:**

General government	\$ 81,496
Streets	17,974
Parks and recreation	32,588
Stormwater utility	<u>1,891</u>
Total depreciation expense - governmental activities	<u>\$ 133,949</u>

**Business-type Activities:**

Water and sewer	<u>\$ 330,636</u>
Total depreciation expense - business-type activities	<u>\$ 330,636</u>

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended September 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities</b>					
Long-Term Debt:					
Notes Payable:					
Direct borrowings or placements:					
Citizens Bank and Trust					
Installment Note	\$ 1,353,441	\$ -	\$ (74,320)	\$ 1,279,121	\$ 76,922
Total Notes Payable	<u>1,353,441</u>	<u>-</u>	<u>(74,320)</u>	<u>1,279,121</u>	<u>76,922</u>
Other Liabilities:					
Compensated Absences	39,791	3,705	-	43,496	-
Net Pension Liability	523,287	215,661	-	738,948	-
Total Other Liabilities	<u>563,078</u>	<u>219,366</u>	<u>-</u>	<u>782,444</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 1,916,519</u>	<u>\$ 219,366</u>	<u>\$ (74,320)</u>	<u>2,061,565</u>	<u>\$ 76,922</u>
<b>Less Amount Due in One Year</b>				<u>(76,922)</u>	
Net Long-Term Debt Due After One Year				<u>\$ 1,984,643</u>	
<b>Business-Type Activities</b>					
Long-Term Debt:					
Direct borrowings or placements:					
Notes Payable:					
Installment Note to Florida Department of Environmental Protection (WW51201P)	\$ 2,182,029	\$ -	\$ (122,354)	\$ 2,059,675	\$ 125,321
Installment Note to Florida Department of Environmental Protection (WW531400)	160,000	803	(125,162)	35,641	1,702
Installment Note to Florida Department of Environmental Protection (WW531402)	-	1,284,410	-	1,284,410	-
Tax-Exempt Leasing	66,699	-	(21,624)	45,075	22,227
Total Notes Payable	<u>2,408,728</u>	<u>1,285,213</u>	<u>(269,140)</u>	<u>3,424,801</u>	<u>149,250</u>
Other long-term debt:					
Revenue Certificates:					
Series 2017 Water/ Sewer System, Refunding Revenue Bonds	8,425,000	-	(240,000)	8,185,000	250,000
Add premium on Series 2017	650,609	-	(47,706)	602,903	-
Total Revenue Certificates	<u>9,075,609</u>	<u>-</u>	<u>(287,706)</u>	<u>8,787,903</u>	<u>250,000</u>
Other Liabilities:					
Compensated Absences	7,341	1,839	-	9,180	-
Net Pension Liability	151,556	55,317	-	206,873	-
Total Other Liabilities	<u>158,897</u>	<u>57,156</u>	<u>-</u>	<u>216,053</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 11,643,234</u>	<u>\$ 1,342,369</u>	<u>\$ (556,846)</u>	<u>12,428,757</u>	<u>\$ 399,250</u>
<b>Less Amount Due in One Year</b>				<u>(399,250)</u>	
Net Long-Term Debt Due After One Year				<u>\$ 12,029,507</u>	

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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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:**

- Citizens Bank and Trust Installment Note – This note is secured by the all revenues of the City's communications service tax and the City's half-cent sales tax. This note bears interest at 3.4%, with monthly principal and interest payments on the first day of each month, with a final maturity of January 1, 2033. The note proceeds were used to retire the City's outstanding Series 2007 Capital Improvement Revenue Bonds which were used to construct the City's administration facilities.

**Business-Type Activities:**

- Series 2017 Water and Sewer System Refunding Revenue Bonds – The Water and Sewer System Refunding Revenue Bonds, Series 2017 are secured by the net revenues of the system, certain public service tax revenues, and moneys on deposit in various funds and accounts of the City. The Series 2017 bonds bear interest at 3.00 – 4.25 with a final maturity of August 1, 2041. The bonds require the maintenance of sinking, and renewal and replacement funds.

The Series 2017 bond proceeds were used to advance refund the City's outstanding Water and Sewer System Capital Improvement and Refunding Bonds, Series 2011A and to pay the costs of issuance of the Series 2017 Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$939,356. This amount was deferred and is being amortized over the remaining life of the new debt.

The City defeased the Series 2011A bonds by placing the proceeds of the Series 2017 bonds, along with a City contribution of \$836,993 in an irrevocable trust to provide for future debt service payments on the 2011A bonds until they are fully retired on August 1, 2021. Accordingly, the trust account assets and the liability for the defeased debt is not included in these financial statements. As of September 30, 2019, \$8,600,000 of the defeased 2011A debt is still outstanding.

- 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.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

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

- Installment Note to Florida Department of Environmental Protection (WW 531400) - This note is secured by the net revenues of the water and sewer system. The note bears interest at 0.76%, with semi-annual principal and interest payments on March 15 and September 15 with a final maturity in September 2039. The note proceeds were used to fund the design of wastewater pollution control facilities. The Note requires the maintenance of a sinking fund.
- Installment Note to Florida Department of Environmental Protection (WW 531402) - This note is secured by the net revenues of the water and sewer system. The note bears interest at 0.46%, with semi-annual principal and interest payments on May 15 and November 15 with a final maturity in November 2041. The note proceeds were used to fund the construction of wastewater pollution control 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.

**Remedies in the Event of Default** - The debt obligations all allow for the obligors to take whatever legal actions necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of defaults as follows:

- Citizens Bank and Trust Installment Note - If an event of default has occurred and be continuing beyond any cure period, the lender may declare the principal and accrued unpaid interest on the note immediately due and payable and to exercise all the rights and remedies of a secured party under the Uniform Commercial Code with respect to all or any portion of the pledged revenues.
- State Revolving Funds (SRF) Loans – The lender, subject to the rights of superior liens on the pledged revenues, may request a court to appoint a receiver to manage the water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to 1.667 times the loan interest rate.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**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, 2019, were as follows:

Fiscal Year Ending September 30,	Governmental Activities		Business-Type Activities					
	Direct borrowings and direct placements		Direct borrowings and direct placements		Other long-term debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 76,922	\$ 42,865	\$ 149,250	\$ 50,413	\$ 250,000	\$ 319,225	\$ 399,250	\$ 369,638
2021	79,615	40,172	1,186,297	53,992	260,000	311,725	1,446,297	365,717
2022	82,401	37,385	145,155	44,121	265,000	303,925	410,155	348,046
2023	85,286	34,501	148,411	40,865	275,000	295,975	423,411	336,840
2024	88,271	31,515	151,745	37,532	280,000	287,725	431,745	325,257
2025-2029	489,923	109,009	811,575	134,805	1,565,000	1,276,425	2,376,575	1,411,230
2030-2034	376,703	22,586	732,433	39,739	1,905,000	937,025	2,637,433	976,764
2035-2039	-	-	72,749	1,606	2,320,000	523,225	2,392,749	524,831
2040-2044	-	-	27,186	163	1,065,000	68,425	1,092,186	68,588
Add: unamortized bond premium	-	-	-	-	602,903	-	602,903	-
<b>Total</b>	<b>\$ 1,279,121</b>	<b>\$ 318,033</b>	<b>\$ 3,424,801</b>	<b>\$ 403,236</b>	<b>\$ 8,787,903</b>	<b>\$ 4,323,675</b>	<b>\$ 12,212,704</b>	<b>\$ 4,726,911</b>

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

The City has pledged various future revenue sources for various debt issues. For the water and sewer systems, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in Note 6.

<b>Pledged Revenue</b>	<b>Principal and Interest Outstanding</b>	<b>Principal and Interest Paid</b>	<b>Current Year Revenue</b>	<b>% of Revenues to Principal and Interest Paid</b>
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	\$ 1,597,154	\$ 119,787	\$ 335,830	280.36%
Water and sewer system net revenue and sewer impact fees	16,290,179	868,815	1,528,121	175.89%

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE 8 - INTERFUND TRANSACTIONS**

Interfund transactions are summarized below:

**Interfund receivables and payables as of September 30, 2019 consisted of:**

Receivable Fund	Payable Fund	Amount
Enterprise Fund	General Fund	\$ -

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, 2019 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, 2019**

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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, 2019**

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value (per year of service)
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

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 2018-19 fiscal year were as follows:

Class	Prior to July 1, 2019		After July 1, 2019	
	Employee	Employer (A)	Employee	Employer (A)
Regular	3.00%	8.26%	3.00%	8.47%
Senior Management	3.00%	24.06%	3.00%	25.41%

Note (A) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates include 0.06 percent for administrative costs of the Investment Plan.

The City's contributions to the Plan totaled \$54,115 for the fiscal year ended September 30, 2019.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**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, 2019, the City reported a liability of \$676,868 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's contributions for the year ended June 30, 2019 relative to the contributions of all participating members for that period. At June 30, 2019, the City's proportionate share was 0.0019654330 percent, which was an increase of 0.0003582410 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$196,623. 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	\$ 40,147	\$ 420
Change of assumptions	173,849	-
Net difference between projected and actual earnings on FRS pension plan investments	-	37,448
Changes in proportion and differences between City FRS contributions and proportionate share of contributions	110,779	4,334
City FRS contributions subsequent to the measurement date	17,202	-
Total	<u>\$ 341,977</u>	<u>\$ 42,202</u>

The deferred outflows of resources related to pensions, totaling \$17,202, 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, 2020. 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, 2019**

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

Fiscal Year Ending September 30	Amount
2020	\$ 90,359
2021	39,752
2022	66,363
2023	55,441
2024	23,896
Thereafter	6,762
	\$ 282,573

*Actuarial Assumptions.* The total pension liability in the June 30, 2019 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	6.90 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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, 2019**

**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%	3.3%	3.3%	1.2%
Fixed income	18.0%	4.1%	4.1%	3.5%
Global equity	54.0%	8.0%	6.8%	16.5%
Real estate	10.0%	6.7%	6.1%	11.7%
Private equity	11.0%	11.2%	8.4%	25.8%
Strategic investments	6.0%	5.9%	5.7%	6.7%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.7%

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

**Discount Rate.** The discount rate used to measure the total pension liability was 6.90 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 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate.

	<u>1% Decrease 5.90%</u>	<u>Current Discount Rate 6.90%</u>	<u>1% Increase 7.90%</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 1,170,079</u>	<u>\$ 676,868</u>	<u>\$ 264,953</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, 2019, the City reported a payable of \$-0- for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2019.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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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, 2019, 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, 2019, the HIS contribution rate for the period of July 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 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 \$13,497 for the fiscal year ended September 30, 2019.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.* At September 30, 2019, the City reported a net pension liability of \$268,953 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's contributions for the year ended June 30, 2019 relative to the contributions of all participating members for that period. At June 30, 2019, the City's proportionate share was 0.002403726 percent, which was an increase of 0.0006015120 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized the HIS Plan pension expense of \$39,378. 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, 2019**

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,267	\$ 329
Change of assumptions	31,141	21,983
Net difference between projected and actual earnings on HIS pension plan investments	174	-
Changes in proportion and differences between City HIS contributions and proportionate share of HIS contributions	97,261	2,008
City contributions subsequent to the measurement date	3,765	-
Total	<u>\$ 135,608</u>	<u>\$ 24,320</u>

The deferred outflows of resources, totaling \$3,765, 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, 2020. 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>
2020	\$ 23,979
2021	22,567
2022	18,040
2023	13,953
2024	15,401
Therafter	<u>13,583</u>
	<u>\$ 107,523</u>

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

*Actuarial Assumptions.* The total pension liability in the July 1, 2019, 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	3.50 percent

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

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.50%. 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 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
City's proportionate share of the net pension liability	<u>\$ 307,024</u>	<u>\$ 268,953</u>	<u>\$ 237,244</u>

*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, 2019, 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, 2019.

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

**Florida Retirement System (FRS) – Defined Contribution Pension Plan**

**FRS Investment Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees already participating in the DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2019, the information for forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The City’s Investment Plan pension expense totaled \$14,915 for the fiscal year ended September 30, 2019.



**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS**

The City follows GASB Cod. Sec. P52 for certain post-employment health care and dental benefits provided by the City.

*Plan Description* – The Other Postemployment Benefits Plan (OPEB Plan) is a single employer defined benefit plan administered by the City. The OPEB Plan allows employees who retire and meet retirement eligibility requirements under the applicable City retirement plan to continue medical insurance coverage as a participant in the City’s health insurance plan.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City’s healthcare and life insurance benefits. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. The OPEB Plan doesn’t issue a stand-alone financial report and is not included in the annual report of a public employee retirement system of another entity.

There are currently 17 active plan members and no inactive plan members.

*Funding Policy* – Currently, the City’s OPEB benefits are unfunded. The City has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis.

*Benefits Provided* – The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City who meet the eligibility requirements of the applicable City retirement plan are eligible to receive postemployment health care benefits. All retiree, spouse and dependent coverage is at the expense of the retiree.

*Total OPEB Liability* – The City’s total OPEB liability as of September 30, 2018 was determined by an actuarial valuation as of October 1, 2017. The actuarial assumptions used in the October 1, 2017 valuation were as follows:

Inflation	3.00%
Salary Increases	3.00%
Discount Rate	3.64%
Initial Trend Rate	8.00%
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	6

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS** (cont....)

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using projection scale BB.

*Discount Rate* – The discount rate was based on a high-quality municipal bond rate of 3.64%. The high-quality bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The results of the October 1, 2017 actuarial valuation produced an estimated actuarial determined OPEB obligation and OPEB expense that was immaterial to the City's financial statements and accordingly, there is no OPEB liability recorded in the financial statements.

**NOTE 11 – JOINT VENTURE**

The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by a interlocal agreement between Polk City, City of Auburndale, City of Bartow, City of Davenport, City of Eagle Lake, City of Fort Meade, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, City of Winter Haven, Town of Dundee, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes. These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

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

The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2019, the total annual working capital needs of the PRWC was \$1,251 of which the City's proportionate share was \$198,000.

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

**POLK CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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**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, 2019 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 – COMMITMENTS AND CONTINGENCIES**

- The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, liabilities from the lease agreements are not reflected in the City's account groups. Remaining minimum lease payments are not significant.
- The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2019, 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 \$99,310 for base services for the fiscal year ended September 30, 2019. The annual cost increases 2% per year over the term of the contract. The City paid \$97,363 for the year ended September 30, 2018.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**POLK CITY, FLORIDA  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<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	\$ 1,331,632	\$ 1,331,632	\$ 1,456,664	\$ 125,032
Licenses and permits	336,137	336,137	251,157	(84,980)
Intergovernmental revenue	257,521	257,521	330,394	72,873
Charges for services	325,225	325,225	361,125	35,900
Fines and forfeitures	2,000	2,000	11,167	9,167
Impact fees	389,161	389,161	157,647	(231,514)
Other	12,800	12,800	38,760	25,960
Amounts available for appropriations	<u>2,654,476</u>	<u>2,654,476</u>	<u>2,606,914</u>	<u>(47,562)</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
General government	688,372	688,372	622,146	66,226
Public safety	425,692	425,692	445,961	(20,269)
Physical environment	389,770	389,770	361,052	28,718
Transportation	359,024	359,024	331,290	27,734
Culture/recreation	182,433	182,433	148,045	34,388
Capital outlay	201,113	201,113	25,095	176,018
Debt service	119,810	119,810	119,810	-
Total charges to appropriations	<u>2,366,214</u>	<u>2,366,214</u>	<u>2,053,399</u>	<u>312,815</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>				
	<u>288,262</u>	<u>288,262</u>	<u>553,515</u>	<u>265,253</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>313,262</u>	<u>313,262</u>	<u>\$ 578,515</u>	<u>\$ 265,253</u>
Reserves carried to subsequent year	<u>(313,262)</u>	<u>(313,262)</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**

**Last Ten Fiscal Years \***

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

	2019	2018	2017	2016	2015	2014
City's proportion of the FRS net pension liability (asset)	0.001965433%	0.001607192%	0.001287606%	0.001273210%	0.001355257%	0.001118460%
City's proportionate share of the FRS net pension liability (asset)	\$ 676,868	\$ 484,095	\$ 380,865	\$ 321,486	\$ 175,050	\$ 68,243
City's covered payroll (2)	\$ 804,096	\$ 588,735	\$ 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	84.18%	82.23%	91.66%	84.78%	45.96%	20.63%
FRS Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Notes:

(1) The amounts presented for each fiscal year were determined as of, or for the year ended 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)**

	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 60,943	\$ 45,804	\$ 40,068	\$ 34,559	\$ 32,616	\$ 24,499
FRS contributions in relation to the contractually required contribution	\$ 60,943	\$ 45,804	40,068	34,559	32,616	24,499
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll (2)	\$ 804,096	\$ 588,735	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
FRS contributions as a percentage of covered payroll	7.58%	7.78%	9.64%	9.11%	8.56%	7.41%

Notes:

(1) The amounts presented for each fiscal year were determined for the year ended June 30.

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

\* These schedules are 10-year schedules; however, the information in these schedules are not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**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**

**Last Ten Fiscal Years \***

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

	2019	2018	2017	2016	2015	2014
City's proportion of the HIS net pension liability (asset)	0.002403726%	0.001802214%	0.001356602%	0.001297807%	0.001345924%	0.001092189%
City's proportionate share of the HIS net pension liability (asset)	\$ 268,953	\$ 190,748	\$ 145,054	\$ 151,254	\$ 137,263	\$ 102,122
City's covered payroll (2)	\$ 804,096	\$ 588,735	\$ 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	33.45%	32.40%	34.91%	39.89%	36.04%	30.87%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.50%

Notes:

(1) The amounts presented for each fiscal year were determined as of, or for the year ended 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)**

	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 13,348	\$ 9,773	\$ 6,898	\$ 6,294	\$ 5,455	\$ 3,741
HIS contributions in relation to the contractually required contribution	13,348	9,773	6,898	6,294	5,455	3,741
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll (2)	\$ 804,096	\$ 588,735	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%	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.

\* These schedules are 10-year schedules; however, the information in these schedules are not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**POLK CITY, FLORIDA**

**NOTES TO THE SCHEDULES 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**

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

*Changes of Assumptions:*

- a. The discount rate decreased from 7.00 percent to 6.90 percent.
- b. The long-term expected rate of return was decreased from 7.00 percent to 6.90 percent.

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

*Changes of Assumptions:*

- a. The discount rate was decreased from 3.87 percent to 3.50 percent
- b. The municipal bond rate used to determine total pension liability decreased from 3.87 percent to 3.50 percent.

*Program Contribution Rates* – The Health Insurance Subsidy Pension Plan (HIS) uses a “pay-as-you-go” funding structure. As of June 30, 2019, and 2018, 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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# **GOVERNMENT AUDITING SECTION**

**POLK CITY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

State Grants Funding Source and Grant Program	State CSFA #	Grant Number	State Expenditures	Loan Proceeds
State of Florida Department of Economic Opportunity:				
Growth Management Implementation	40.024	PO329	\$ 30,000	\$ -
Total State of Florida Department of Economic Opportunity			<u>30,000</u>	<u>-</u>
State of Florida Department of Environmental Protection:				
Clean Water State Revolving Fund / Effluent Disposal	37.077	WW531402	1,284,410	1,284,410
Small Community Wastewater Facility Grant	37.075	WW531401	128,000	-
Total State of Florida Department of Environmental Protection			<u>1,412,410</u>	<u>1,284,410</u>
Total expenditures of State awards			<u>\$ 1,442,410</u>	<u>1,284,410</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**NOTE A – BASIS OF PRESENTATION:** The accompanying Schedule of Expenditures of State Financial Assistance presents the State of Florida grant and loan activity of the Polk City, Florida in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services, Schedule of Expenditure of State Financial Assistance, Rules of the Florida Department of Financial Services; and Chapter 10.550, Rules of the Florida Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – BASIS OF ACCOUNTING:** The expenditures in the accompanying Schedule of Expenditures of State Financial Assistance are presented using the accrual basis of accounting.

**NOTE C – CONTINGENCY:** Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City. As of September 30, 2019, there were no material questioned or disallowed costs as a result of grant or loan audits in process or completed.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH  
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL OF STATE OF FLORIDA*

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

***Report on Compliance for Each Major State Project***

We have audited the Polk City, Florida's (the "City") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have direct and material effect on each of the City's major state projects for the year ended September 30, 2019. The City's major state projects are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its State financial assistance applicable to its State projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 of the State of Florida*. Those standards and Chapter 10.550, *Rules of the Auditors General of the State of Florida*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major State Project***

In our opinion, Polk City, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2019.

***Report on Internal Control over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General of the State of Florida*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Accordingly, this report is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Auburndale, Florida  
June 23, 2020

**POLK CITY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATING TO STATE FINANCIAL ASSISTANCE**  
 Year Ended September 30, 2019

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**Section I – Summary of Independent Auditor’s Results**

**Financial Statements**

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

  X   Yes             No

Significant deficiency(ies) identified?

       Yes        X   None reported

Noncompliance material to the financial statements reported?

       Yes        X   No

**State Financial Assistance**

Type of Auditor's Report Issued on Compliance for Major State Projects

Unmodified Opinion

Internal control over major State projects:

Material weakness(es) identified?

       Yes        X   No

Significant deficiency(ies) identified?

       Yes        X   None reported

Noncompliance material to a major State projects reported?

       Yes        X   No

Any audit findings disclosed that are required to be reported in accordance with Rule 10.557, *Rules of the Auditor General*

  X   Yes             No

Major State Project(s):

37.077 - State of Florida Department of Environmental Protection -  
 Wastewater Treatment Facility Construction

Dollar threshold used to distinguish between Type A and Type B projects:

  \$          432,723  

**Section II – Summary Schedule of Prior Audit Findings Related to State Financial Assistance**

There were no prior-year audit findings related to state financial assistance.

**Section III – Current Year Findings Required to be Reported in Accordance with *Government Auditing Standards***

**Finding 2019-01: Bank Reconciliations**

Criteria: Good internal control requires the activity in the City’s bank accounts to be posted to the general ledger and that bank statement reconciliations be performed on a timely basis to afford management the opportunity to detect and correct errors on a timely basis.

Condition: The City’s bank account activities were not being reconciled to the general ledger balances in a timely manner. The September 2019 bank reconciliations were completed in March 2020 and as of the date of this report, the City has completed the bank reconciliations through February 2020.

Effect: Due to the lack of timely bank reconciliations, there was no assurance that the books and records of the City were complete throughout the year.

Cause: The bank reconciliation process was delayed due to issues caused by the accounting information system software conversion that took place during the fiscal year ended September 30, 2018 and management has not brought the reconciliations current as of the date of this report.

Recommendation: We recommend the City take measures to ensure that the bank activity is reconciled to the general ledger and that this reconciliation is to be completed within thirty days after receipt of the monthly bank statements. Furthermore, we recommend that this reconciliation should be reviewed by the City Manager when complete.

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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, 2019, 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 23, 2020.

***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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2019-01, that we consider to be a material weakness.

***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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***Polk City's Response to Findings***

Polk City, Florida's response to the findings identified in our audit is described in the accompanying letter of management's response. Polk City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 23, 2020

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, 2019. 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, 2019.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
June 23, 2020

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, 2019, and have issued our report thereon dated June 23, 2020.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued the following reports and schedule in connection with our audit.

- 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*.
- Independent Auditor's Report on Compliance with Requirements for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the Auditor General*.
- Schedule of Findings and Questioned Costs Related to State Financial Assistance.
- Independent Accountant's Report on Compliance with Section 218.415, *Florida Statutes* conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements of Chapter 10.550, Rules of the Auditor General.

Disclosures in these reports and schedule, which are dated June 23, 2020, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except for the finding noted below.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017-18 FY Finding #	2016-17 FY Finding #
2019-01	18-01	na

**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 and Management**

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not 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, we determined that Polk City, Florida did not meet any of the specified conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Polk City, Florida. 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.

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

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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 23, 2020



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## **OTHER INFORMATION**




Polk City  
123 Broadway Blvd  
Polk City, FL 33868  
Phone: 863.984.1375  
Fax: 863.984.1984

**POLK CITY IMPACT FEE AFFIDAVIT**

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

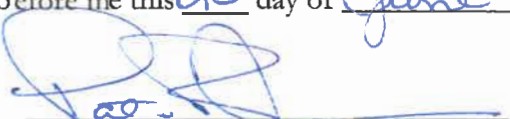
1. I am the Finance Administrator of Polk City which is a local governmental entity of the State of Florida;
2. Polk City adopted Ordinance No. 1142, 1, 02-27-2007 implementing an impact fee; and
3. Polk City has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

  
Joanna Knowles, Finance Administrator, Polk City

STATE OF FLORIDA  
COUNTY OF POLK

SWORN TO AND SUBSCRIBED before me this 23<sup>rd</sup> day of June, 2020.

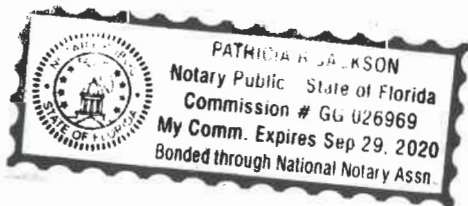
  
NOTARY PUBLIC  
Print Name Patricia R Jackson

Personally known  or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_





## **POLK CITY**

123 Broadway Blvd SE  
Polk City, Florida 33868  
Telephone 863-984-1375  
Fax 863-984-2334

June 22, 2020

Honorable Mayor, City Commissioners  
Polk City  
Polk City FL 33868

RE: Management Letter dated June 22, 2020

Fiscal Year 2019 Audit Findings -- Corrective Actions

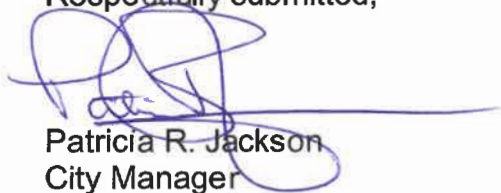
### **Finding 19-01: Bank Reconciliations**

We concur with the Auditor's recommendation and have implemented the measures to reconcile the bank statements to the general ledger within 30 days after receipt of the bank statements. The issues resulting from the accounting information system software conversion has also been addressed and corrected.

The current part-time position of accounting clerk was made a full-time position beginning with Fiscal Year 2019-2020. The Finance Department has resolved the issues with the software, and are on track and assures all bank statements for Fiscal Year 2020 will be completed on time

We continue to strive to provide the highest level of financial services and reporting to Polk City.

Respectfully submitted,



Patricia R. Jackson  
City Manager



Joanna Knowles  
Finance Administrator