

Annual Financial Report

September 30, 2018



City of Inverness, Florida

Introductory Section

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MAYOR

Bob Plaisted

CITY COUNCIL

Cabot McBride, Council President

David Ryan, Council Member

Jacque Hepfer, Council Member

Ken Hinkle, Council Member

Linda Bega, Council Member

STAFF

City Manager

Frank DiGiovanni

City Clerk

Susan Jackson

Assistant City Manager

Eric Williams

Human Resources/Executive Secretary

Shelia Densmore

Special Events Director

Sharon Skeelee Hogan

Finance Director

Richard A. LaCondre

Public Works Director

Scott McCulloch

Information Technology Director

Joey Johnston

Community Development Director

Bruce Day

Cultural Services Valerie Theater Director

Alan Forno

LEGAL COUNSEL

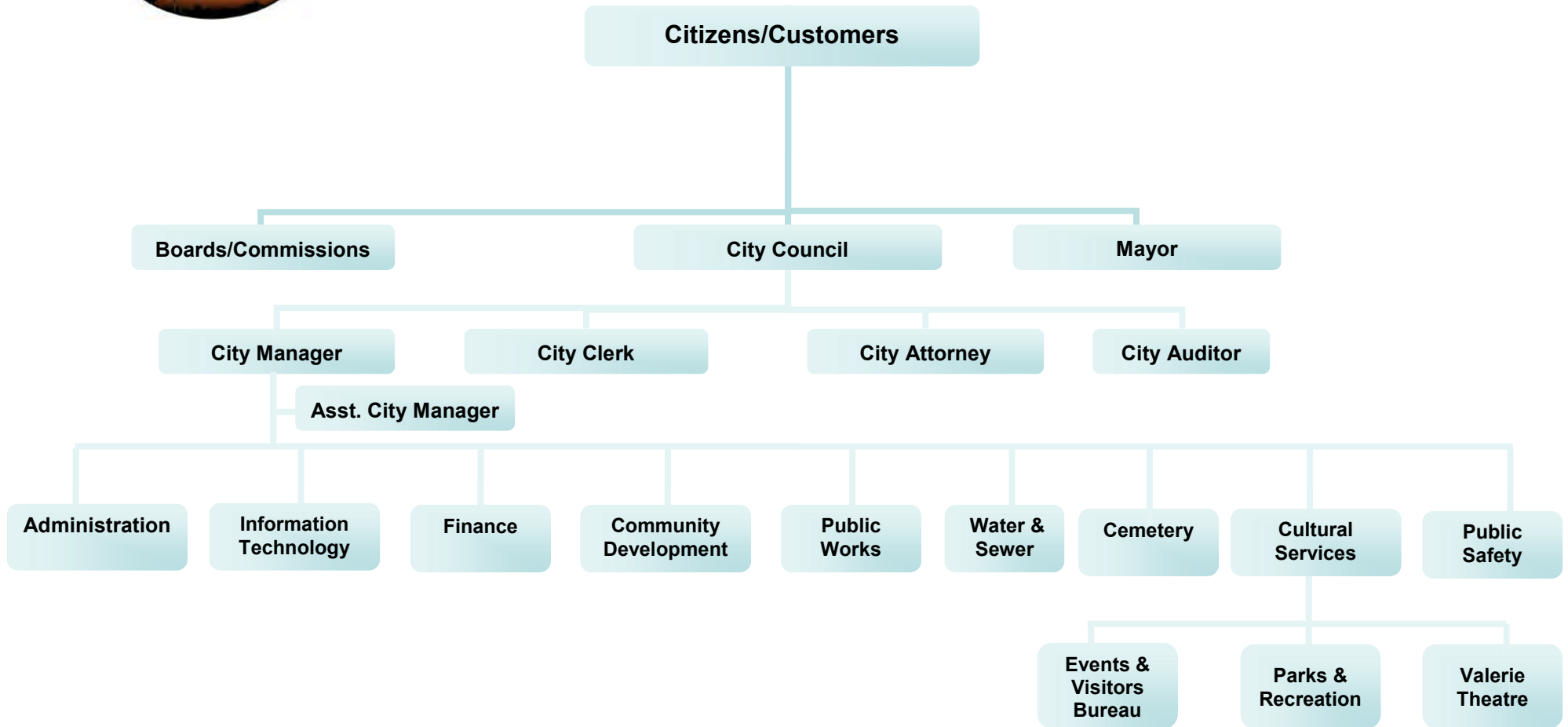
Haag & Freidrich, P.A.

AUDITORS

McDermitt Davis & Company, LLC



City of Inverness, Florida



Financial Section

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Inverness, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2018, 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

City of Inverness's 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 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 of 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 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inverness, Florida, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, whispering pines park special revenue fund, and community redevelopment agency fund for the year then ended in conformity 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, budgetary comparison information and pension and the other postemployment benefits disclosures on pages 3 through 14, 58 and 55 through 57 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 of Inverness, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory section and statistical schedules have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 2019 on our consideration of the *City of Inverness, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 result of that testing, and not to provide an opinion on the 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 City of Inverness's internal control over financial reporting and compliance.

McDiarmid Davis & Company, LLC

Orlando, Florida
May 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities of the City of Inverness for the fiscal year ended September 30, 2018 is designed to assist the reader in a) focusing on significant financial issues, b) providing an overview of the City's financial activity, c) identifying changes in the City's financial position, d) identifying any material deviations from the approved budget, and e) identifying individual fund issues or concerns. Please read it in conjunction with the City's Independent Auditor's Report, financial statements, and accompanying notes.

Financial Highlights

- The assets and deferred outflows of the City of Inverness exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$64,073,276 (*net position*). Of this amount, \$16,682,200 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,492,345 or 4.0%.
- As of the close of the current fiscal year, the City of Inverness' governmental funds reported combined ending fund balances of \$26,256,382. Approximately 18% of this total amount, \$4,722,189 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,722,189 or 68% of total general fund expenditures and transfers out.
- The City of Inverness' total Business-type debt decreased by \$284,544 5.8% during the current fiscal year.

Using this Annual Report

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

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

Government-Wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Inverness 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 of Inverness include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Inverness include the Public Utilities System and the Oakridge Cemetery.

The government-wide financial statements include only the City of Inverness itself (known as the *primary government*) and one blended component unit (The City of Inverness Community Redevelopment Trust Fund). The Water and Sewer Utility fund and the Cemetery fund function as departments of the City of Inverness, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Inverness, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Inverness can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Inverness maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Whispering Pines Park Special Revenue Fund, Community Redevelopment Fund, and Capital Projects Fund. Data from the other 2 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Inverness adopts an annual appropriated budget for the General Fund, Whispering Pines Park Fund, Community Redevelopment Fund, and Capital projects Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget on pages 21-23 and page 58.

The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary Funds

The City of Inverness maintains one type of proprietary funds: *enterprise funds*.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Inverness uses enterprise funds to account for its Water and Sewer Utility Fund, and Cemetery Fund. Annual operating budgets are adopted for these funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility Fund and for the Cemetery Fund.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-54 of this report.

Required Supplementary Information (RSI)

RSI can be found on pages 55-57 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the RSI. Combining and individual fund statements and schedules can be found on pages 58-60 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Inverness, assets and deferred outflows exceeded liabilities and deferred inflows by \$64,073,276 at the close of the most recent fiscal year.

By far the largest portion of the City of Inverness' net position (72%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Inverness uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Inverness' 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. An additional portion of the City of Inverness' net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$16,682,200) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2018, the City of Inverness is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The following table reflects the condensed Statement of Net Position for the current and prior year. For more detail see the Statement of Net Position on page 15.

Statement of Net Position
As of September 30,

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 12,979,784	\$ 10,631,758	\$ 7,500,099	\$ 6,593,884	\$ 20,479,883	\$ 17,225,642
Restricted assets	13,773,351	15,062,404	298,833	318,833	14,072,184	15,381,237
Capital assets	26,324,918	25,627,519	24,370,337	25,040,169	50,695,255	50,667,688
Total assets	53,078,053	51,321,681	32,169,269	31,952,886	85,247,322	83,274,567
Deferred outflows	1,370,420	1,574,531	27,208	35,417	1,397,628	1,609,948
Current liabilities	691,795	1,246,904	305,839	295,369	997,634	1,542,273
Long term liabilities outstanding	16,400,397	16,531,037	4,514,230	4,796,764	20,914,627	21,327,801
Other liabilities	-	-	300,822	286,108	300,822	286,108
Total liabilities	17,092,192	17,777,941	5,120,891	5,378,241	22,213,083	23,156,182
Deferred inflows	351,610	128,951	6,981	2,901	358,591	131,852
Net position:						
Net investment in capital	26,324,918	25,627,519	19,912,434	20,307,722	46,237,352	45,935,241
Restricted	687,932	1,291,447	465,792	531,118	1,153,724	1,822,565
Unrestricted	9,991,821	8,070,354	6,690,379	5,768,321	16,682,200	13,838,675
Total net position	\$ 37,004,671	\$ 34,989,320	\$ 27,068,605	\$ 26,607,161	\$ 64,073,276	\$ 61,596,481

Statement of Activities

The following table reflects the condensed Statement of Activities for the current and prior year. For more detailed information see the Statement of Activities on page 16. Note that total net position increased by \$2,492,345.

Net position for governmental activities increased by \$2,030,901. Key elements of this change are:

- General revenues for governmental activities increased by \$886,328 primarily resulting from increased property tax revenue and investment earnings.
- Operational costs are controlled with little growth or change. Overhead is low and efficiencies have been implemented to increase output and reduce costs.
- The City decreased interest on long-term debt by \$67,036 as a result of bond refunding.

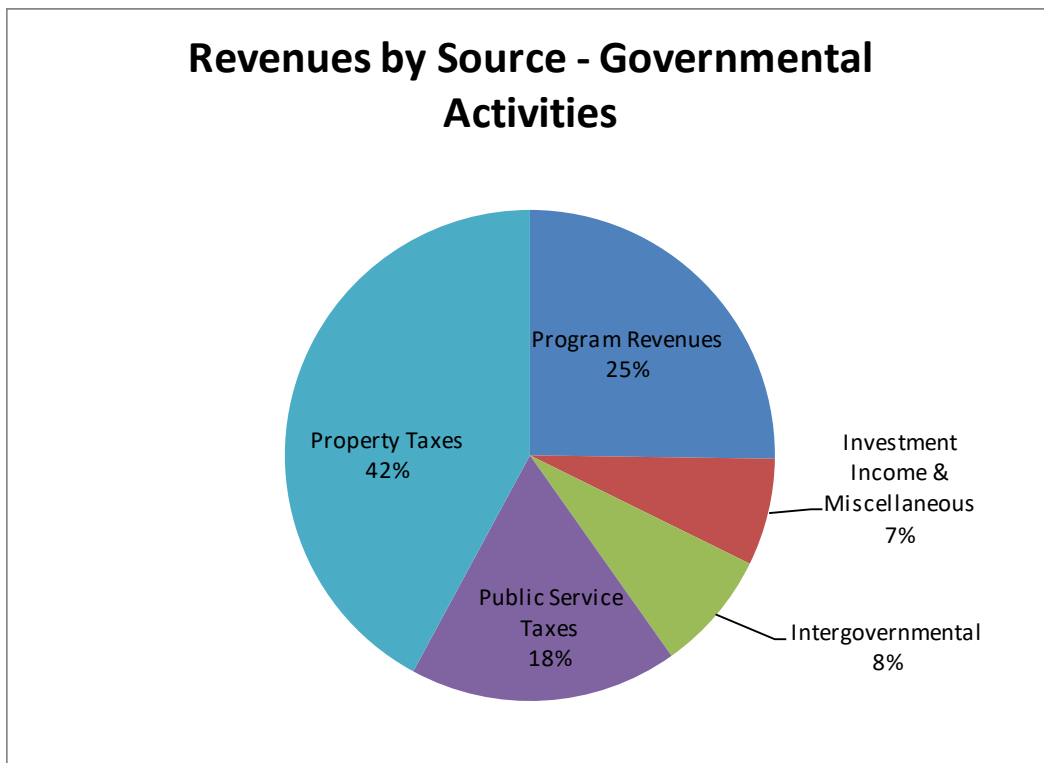
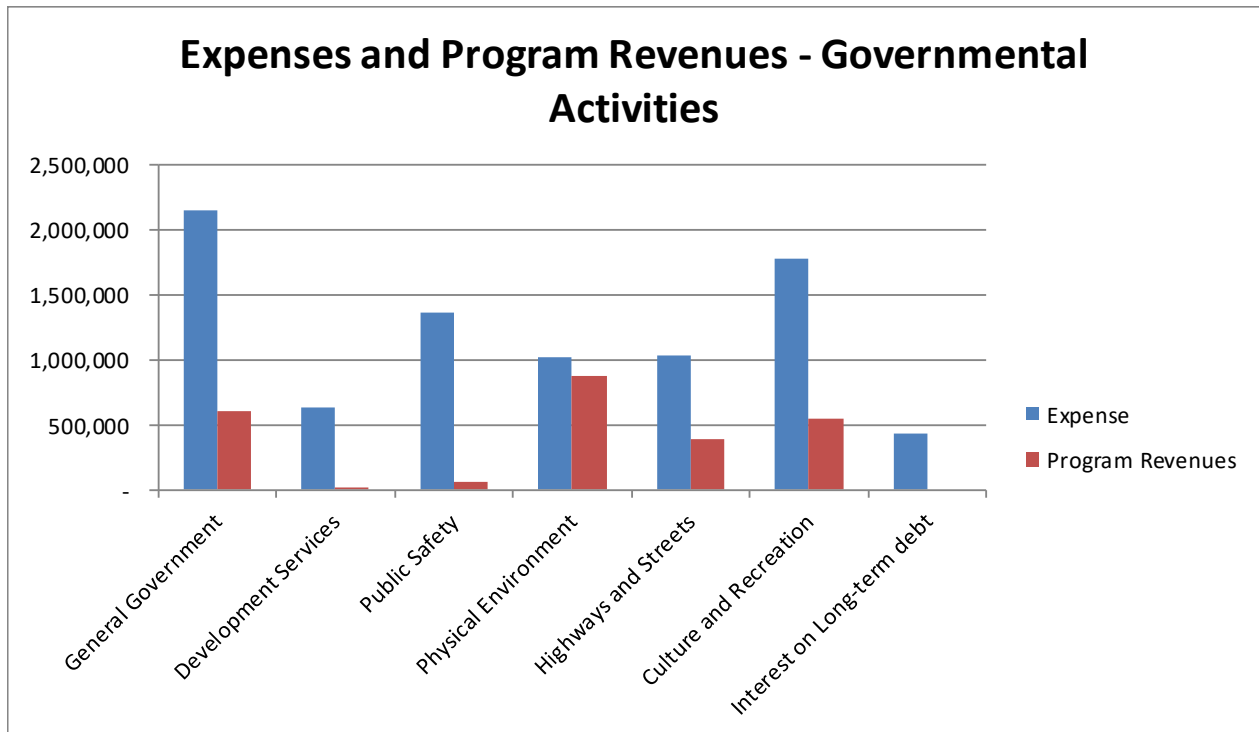
Net position for business-type activities increased by \$461,444. The key element of this change was:

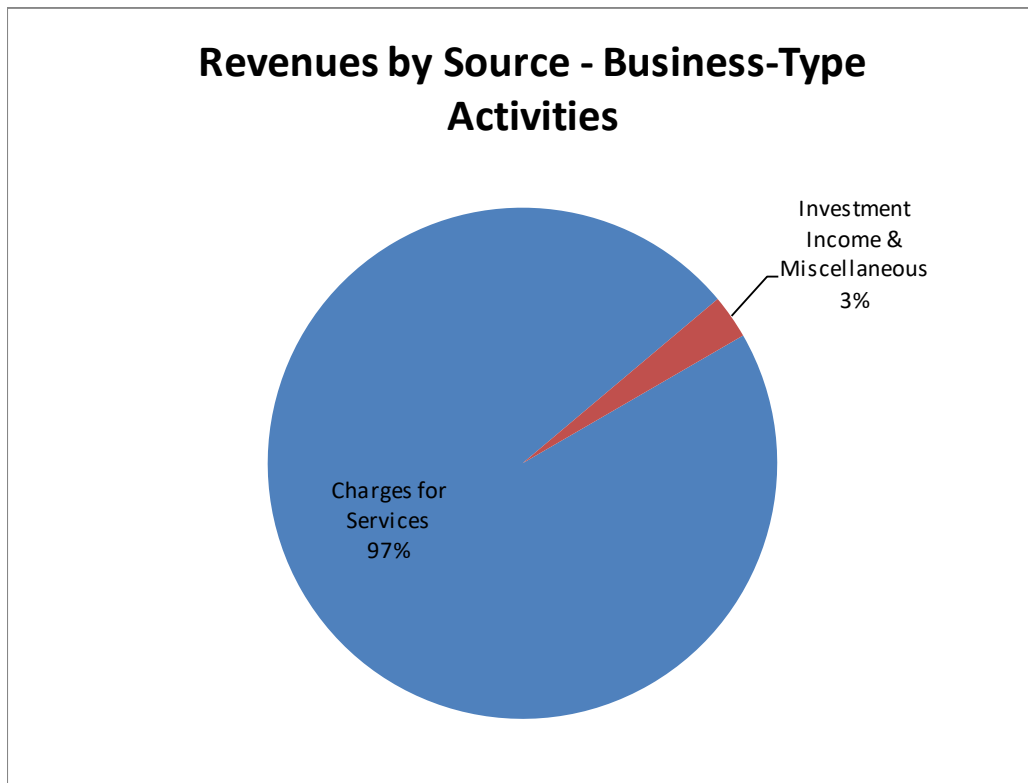
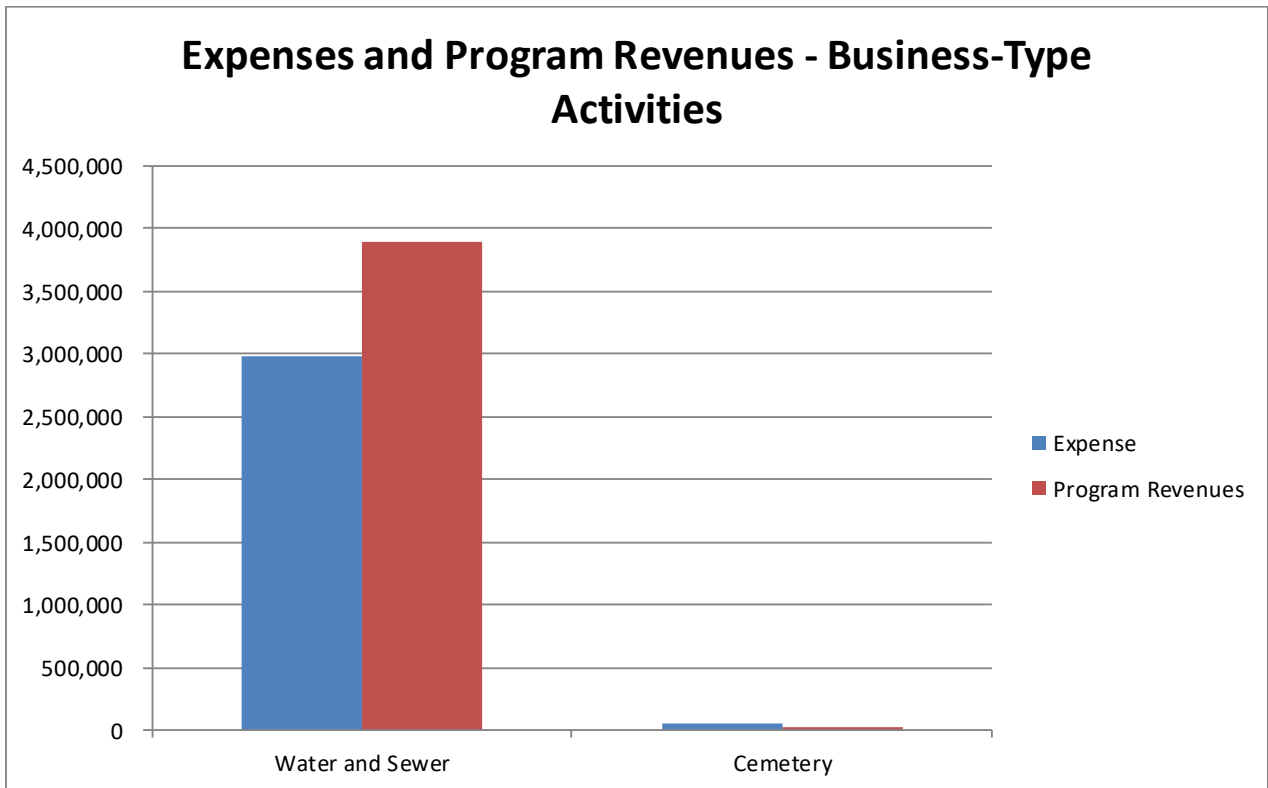
- An increase in charges for services and a reduction in costs.

City of Inverness, Florida
Management's Discussion and Analysis

Changes in Net Position
For the Years Ended September 30,

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,966,670	\$ 1,528,579	\$ 3,921,196	\$ 3,620,813	\$ 5,887,866	\$ 5,149,392
Operating grants and contributions	535,444	342,234	-	5,990,698	535,444	6,332,932
Capital grants and contributions	-	577,786	-	315,151	-	892,937
General Revenues:						
Property and other taxes	4,178,227	3,683,228	-	-	4,178,227	3,683,228
Other taxes and fees	1,757,618	1,728,894	-	-	1,757,618	1,728,894
Intergovernmental	785,880	776,650	-	-	785,880	776,650
Other	700,239	346,864	111,998	75,134	812,237	421,998
Total revenues	9,924,078	8,984,235	4,033,194	10,001,796	13,957,272	18,986,031
Expenses:						
General government	2,150,642	2,195,022	-	-	2,150,642	2,195,022
Community development services	640,314	703,442	-	-	640,314	703,442
Public safety	1,362,675	1,224,275	-	-	1,362,675	1,224,275
Physical environment	1,021,659	1,006,308	-	-	1,021,659	1,006,308
Roads and streets	1,028,481	822,629	-	-	1,028,481	822,629
Culture and recreation	1,780,750	1,577,504	-	-	1,780,750	1,577,504
Interest on long-term debt	437,156	504,192	-	-	437,156	504,192
Water and sewer	-	-	2,985,761	3,057,753	2,985,761	3,057,753
Cemetery	-	-	57,489	50,602	57,489	50,602
Total expenses	8,421,677	8,033,372	3,043,250	3,108,355	11,464,927	11,141,727
Increase (decrease) in net position before transfers	1,502,401	950,863	989,944	6,893,441	2,492,345	7,844,304
Transfers	528,500	724,741	(528,500)	(724,741)	-	-
Increase (decrease) in net position	2,030,901	1,675,604	461,444	6,168,700	2,492,345	7,844,304
Net position, October 1	34,989,320	33,313,716	26,607,161	20,438,461	61,596,481	53,752,177
Prior period adjustment	(15,550)	-	-	-	(15,550)	-
Net Position, September 30	\$ 37,004,671	\$ 34,989,320	\$ 27,068,605	\$ 26,607,161	\$ 64,073,276	\$ 61,596,481





Financial Analysis of the Government's Funds

As noted earlier, the City of Inverness uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$26,256,382, an increase of \$1,735,730. Approximately 18% or \$4,722,189 of this total constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for spending.

The general fund is the chief operating fund of the City of Inverness. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,722,189 while total fund balance reached \$7,123,662. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 68% of total general fund expenditures and transfers out, compared to 30% for last year. Total fund balance represents 102% of total general fund expenditures and transfers out, compared to 55% for last year.

Fund balance of the City of Inverness' General Fund increased by \$1,749,682 due to reductions in transfers to other funds and increased revenues.

The Community Redevelopment Special Revenue Fund is considered a major fund in order for our external auditors to express an opinion on this fund as required by Florida Statutes chapter 163.387(8). This fund was created in 1990 as a dependent taxing district. The incremental annual increase in tax over the base years is used to fund projects. As of September 30, 2018, the fund balance was \$14,049,928 a decrease of \$618,278. This decrease is a result of additional expenses for community development projects.

Fund balance of Whispering Pines Park decreased \$132,842 to \$331,733. The decrease was a direct result of a decrease in financial support from the General Fund and increased costs.

The fund balance of the Capital Projects Fund increased \$718,233 as a result of an increase in financial support from the General Fund for planned projects which were initiated during the fiscal year.

Proprietary Funds

The City of Inverness' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to 6,433,024 and unrestricted net position for the Cemetery Fund amounted to \$257,355. The total increase in Water and Sewer Utility Fund was \$489,506 and decrease in the Cemetery Fund was \$28,062. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Inverness' business-type activities on page 6.

General Fund Budgetary Highlights

Budgets are conservatively developed to control costs with little growth or change. All functional expenditure areas expended less than budgeted for a total positive variance of \$2,429,162 due to underspending in operations and maintenance areas during the current year.

Capital Asset and Debt Administration

Capital Assets

The City of Inverness' investment in capital assets for its governmental and business type activities as of September 30, 2018 amounts to \$50,695,255 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment.

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

Governmental Activities

- Visitor's Center - \$675,804
- Infantry Memorial - \$378,137
- Community Garden - \$289,655

Additional information on the City of Inverness' capital assets can be found in note 6 on pages 38-39 of this report.

Capital Assets (Net of Depreciation)

As of September 30, 2018 and September 30, 2017

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,700,070	\$ 3,697,090	\$ 651,855	\$ 651,855	\$ 4,351,925	\$ 4,348,945
Buildings	8,248,125	7,791,793	14,245,266	14,602,363	22,493,391	22,394,156
Improvements	12,297,909	12,135,813	8,517,574	8,828,019	20,815,483	20,963,832
Machinery and equipment	983,311	1,108,800	876,631	927,080	1,859,942	2,035,880
Intangibles	167,703	153,154	-	-	167,703	153,154
Construction in progress	927,800	740,869	79,011	30,852	1,006,811	771,721
Total capital assets	\$ 26,324,918	\$ 25,627,519	\$ 24,370,337	\$ 25,040,169	\$ 50,695,255	\$ 50,667,688

Long-Term Debt

At the end of the current fiscal year, the City of Inverness had total debt outstanding of \$17,437,903.

Long Term Debt
 As of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
ICRA refunding revenue bonds	\$ 12,980,000	\$ 12,980,000	\$ -	\$ -	\$ 12,980,000	\$ 12,980,000
SRF note payable	-	-	3,055,230	3,190,864	3,055,230	3,190,864
Capital lease	-	-	1,402,673	1,541,583	1,402,673	1,541,583
Total	\$ 12,980,000	\$ 12,980,000	\$ 4,457,903	\$ 4,732,447	\$ 17,437,903	\$ 17,712,447

During Fiscal Year 2005, the City executed a State Revolving Loan agreement through the Department of Environmental Protection State Revolving Fund program for the purpose of constructing a Wastewater Treatment Plant and Reclamation Facility. The Loan amount of \$16,052,561 included grant funding of amount of \$10,000,000 which offset debt principal and interest payments for a period of twenty years from January 1, 2011 through July 1, 2030. However, on January 15, 2017, the Department transferred the balance of Grant Funds in amount of \$6,024,340 and reduced the SRF loan balance. The City's semiannual loan payment will be \$104,123.98, which is the Local Government share.

In September 2013, the city entered into a \$1,883,000 Master Lease Agreement with SunTrust Bank. The purpose of the lease is to finance a portion of the City's Energy Performance Program of \$2,255,246 for installation of the energy conservation measures including automated metering infrastructure. Total cost savings and revenue improvements annually for the combined program is \$207,314. The city provided \$375,000 in committed capital funding from the Utility Fund to offset the total financed investment cost of the program. The remaining project balance is financed with a Master Lease Purchase Agreement with SunTrust in the amount of \$1,883,000 at a rate of 2.8% for a period of 12 years. Repayment of the agreement commenced on June 15, 2014, payable semi-annually starting with payments of \$66,500 and increasing annually to a maximum payment of \$114,500 due in June and December 2025.

In August 2017, the City issued ICRA Refunding Revenue Bonds of \$12,980,000 for the construction of various improvements within the ICRA.

Additional information on the City of Inverness' long-term debt can be found in notes 7 and 8 on pages 40 - 43 of this report.

Economic Factors and Next Year's Budgets and Rates

Development and Planning for the annual City Budget represents a serious undertaking by your government. Diligence is secured through multiple public meetings, with a clearly stated mission to develop a fiscally prudent, conservative budget appropriation and capital improvement plan, to guide the community through the governmental operations for the City of Inverness. On April 5, 2018, at 5:30pm, an open public workshop was conducted to present a Budget Overview for the fiscal cycle of 2018-19. The purpose of an Overview Presentation is to share facts, market trends and local analysis of an economic and social nature. A fiscal tone is set through an ensuing interactive discussion that includes the cost and impact of planned projects, to include service levels and service delivery. That exercise was followed by a presentation and tentative adoption of a Five-Year Capital Improvement Plan that occurred as part of a public workshop on May 3, 2018, at 5:30pm. The Five-Year Plan charts the course for the entire community of infra-structure investment, project development, and economic planning. It was during this presentation that a new Capital Action Plan was unveiled. The plan targeted development locations of the City to improve the downtown business core, create The Depot District, and improve parks such as Liberty and Wallace Brooks. The plan was widely publicized and received broad support from the business community and residents alike. On July 26th, 2018, City Council publicly discussed and adopted a Tentative Millage Rate at 8.4729 mills.

The Budget is fiscally sound, balanced, and contains a Capital Improvement Plan that is properly situated to improve the community. Additionally, the City of Inverness boasts the most extensive benefit program in Citrus County for residents and businesses alike. Highlights of services, projects and initiatives include:

- Event & Visitors Bureau
- City Garden
- Extensive Parks, Recreational and Cultural Program
- Valerie Theatre Cultural Center
- Whispering Pines Park at 280 acres is the Crown Jewel facility in a multi-county area
- Lakefront Park System, Cooter Pond Park, and Boardwalks envelop the Business District
- High Level Marketing & Branding that supports business and encourages investment
- Full Year, Highly Energized, Special Event Schedule
- Conservation and Green Initiatives like: Electric Vehicle Charging Stations, Solar Powered Sidewalk Compactors, Curbside Recycling and LED Light Efficiency Program
- Residential Neighborhood/Street Illumination Program
- City Beautification through the Central Business District
- Historic Plaque and Building Identification Program
- Historic Valerie Theatre Center Revitalization Project
- Comprehensive Planning and Visioning Plan for 40+ Years
- State of the Art Regional Wastewater Treatment and Recovery Plant
- Production of Reclaimed Water for Irrigation
- Potable Water System to serve the City and Beyond
- Law Enforcement Services
- Fire Rescue Services
- Full Solid Waste, Recycling, Yard Waste and Bulk Item Program
- Full Franchising of Solid Waste for Commercial Applications
- Storm Water and Lake Management Program
- Tree City USA Designation

Agency and capital expenditures for a City Wide application total \$13,084,016. The Capital Improvement Program is a blueprint for progress and structured to invest over \$4.5 Million in the ensuing 2019-20 Fiscal Year.

The adopted budget and CIP reflect the City's hallmark of community and fiscal planning. The General Fund of the City of remains stable and strong. Reserves are healthy and the community is well positioned to aggressively seek grants and address unforeseen anomalies that may arise. Careful planning on a fiscal and community level has been a recognized, and publicized as a strength. Operational costs have been managed to not appreciably increase and the employee count has again been reduced and stands at an extremely low level when compared to like governments of the area. Operations of the extensive park system will be modified and aligned to address reduced funding, which will involve changes to baseball and softball field availability and more user fees. A Fire Rescue Department is fully functioning as part of this budget and the City will proudly operate the newly developed Valerie Theatre Cultural Center. Generally, departmental program goals are identified to ensure that services address the highest priorities established by City Council, including: public safety, community appearance, general maintenance, marketing, culture and events, and to insure development standards retain the community's history and character. Recreational, Cultural and Special Event programming provides enrichment opportunities, economic vitality, and also a robust vehicle to market the community. A proactive presence with respect to community celebrations and special events has been well received by businesses, visitors and families alike. It's all about community and Inverness defines

Small Town America.

Service levels are unchanged; culture and marketing are slightly improved, but largely consistent with prior years. The Inverness community is mostly impacted by state and national economic conditions, a weak housing rebound, with the largest concern and impact caused by activity at the State Level, which continues to direct resources away from local communities. State Revenue Sharing has not increased, funding of the State managed pension system has soared, and the latest attempt to remove telecommunication fees from the local revenue stream will be a material negative impact. County Government has been following the State, but not contributing to off-set the cost of service delivery through the operation of Whispering Pines City Park that provides the majority of recreational opportunities to residents beyond the municipality. We additionally keep the community attractive and affordable by a focused management of Fire Services. A driving force for the City to create and fund its own agency was the burden of cost levied by County Government to businesses and residents, which was evaluated and found excessive. The City is doing its best to "hold the line" with costs to residents and businesses, and for the first time in many years, enjoys a revenue increase that is directly attributed to the addition of the hospital to the tax role.

Despite continued efforts by the State to divert local revenues and action by the County to help bridge their budget deficit, Inverness's financial condition is sound, and the City holds to a course that is fiscally sustainable. All necessary steps continue to be taken to ensure a successful operation in what has become a less certain fiscal climate. Revenues and expenditures will continue to be carefully and constantly monitored to ensure the current and future budgets remain balanced, and the City will continue to offer the best possible services, plan and invest in meaningful improvement projects, and continue to support the quality of life that Inverness residents desire and expect.

Requests for Information

This financial report is designed to provide a general overview of the City of Inverness' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 212 West Main Street, Inverness, Florida 34450.

BASIC FINANCIAL STATEMENTS

City of Inverness, Florida
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,623,193	\$ 1,686,839	\$ 3,310,032
Investments	10,504,654	5,042,790	15,547,444
Receivables, net	433,197	630,518	1,063,715
Due from other governments	213,993	-	213,993
Inventories	1,200	98,112	99,312
Prepaid costs	203,547	41,840	245,387
Restricted assets:			
Cash and cash equivalents	-	298,833	298,833
Investments	13,773,351	-	13,773,351
Capital Assets:			
Capital assets not being depreciated	4,627,870	730,866	5,358,736
Capital assets being depreciated, net of accumulated depreciation	21,697,048	23,639,471	45,336,519
Total capital assets	26,324,918	24,370,337	50,695,255
Total assets	53,078,053	32,169,269	85,247,322
Deferred Outflows of Resources:			
Deferred outflows of pension earnings	1,370,420	27,208	1,397,628
Total deferred outflows of resources	1,370,420	27,208	1,397,628
Liabilities:			
Accounts payable and accrued expenses	383,800	279,616	663,416
Due to other governmental agencies	3,861	-	3,861
Accrued interest	195,042	26,223	221,265
Deposits payable	35,944	300,822	336,766
Unearned revenue	73,148	-	73,148
Noncurrent liabilities:			
Due within one year	309,565	293,909	603,474
Due in more than one year	16,090,832	4,220,321	20,311,153
Total liabilities	17,092,192	5,120,891	22,213,083
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	351,610	6,981	358,591
Total deferred outflows of resources	351,610	6,981	358,591
Net Position:			
Net investment in capital assets	26,324,918	19,912,434	46,237,352
Restricted for:			
Community redevelopment	687,932	-	687,932
Perpetual Care	-	465,792	465,792
Unrestricted	9,991,821	6,690,379	16,682,200
Total net position	\$ 37,004,671	\$ 27,068,605	\$ 64,073,276

City of Inverness, Florida
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary Government						
Governmental Activities:						
General Government	\$ 2,150,642	\$ 610,891	\$ -	\$ (1,539,751)	\$ -	\$ (1,539,751)
Community Development Services	640,314	-	10,000	(630,314)	-	(630,314)
Public Safety	1,362,675	45,451	14,761	(1,302,463)	-	(1,302,463)
Physical Environment	1,021,659	702,763	170,834	(148,062)	-	(148,062)
Highways & Streets	1,028,481	55,599	339,849	(633,033)	-	(633,033)
Culture and Recreation	1,780,750	551,966	-	(1,228,784)	-	(1,228,784)
Interest on Long-term debt	437,156	-	-	(437,156)	-	(437,156)
Total governmental activities	8,421,677	1,966,670	535,444	(5,919,563)	-	(5,919,563)
Business-type activities:						
Water	2,985,761	3,895,870	-	-	910,109	910,109
Cemetery	57,489	25,326	-	-	(32,163)	(32,163)
Total business-type activities	3,043,250	3,921,196	-	-	877,946	877,946
Total primary government	\$ 11,464,927	\$ 5,887,866	\$ 535,444	(5,919,563)	877,946	(5,041,617)
General Revenues:						
Property taxes				4,178,227	-	4,178,227
Public service taxes				1,757,618	-	1,757,618
Intergovernmental				785,880	-	785,880
Unrestricted investment earnings				431,162	100,419	531,581
Miscellaneous				269,077	11,579	280,656
Transfers				528,500	(528,500)	-
Total general revenues and transfers				7,950,464	(416,502)	7,533,962
Change in net position				2,030,901	461,444	2,492,345
Net Position, beginning				34,989,320	26,607,161	61,596,481
Prior period adjustment				(15,550)	-	(15,550)
Net Position, ending				\$ 37,004,671	\$ 27,068,605	\$ 64,073,276

City of Inverness, Florida
Balance Sheet - Governmental Funds
September 30, 2018

	Special Revenue				Other Governmental Funds	Total Governmental Funds
	General Fund	Whispering Pines Park	Community Redevelopment Fund	Capital Projects		
Assets:						
Cash and cash equivalents	\$ 740,670	\$ 2,729	\$ 632,404	\$ 214,522	\$ 32,868	\$ 1,623,193
Investments	5,690,445	333,670	-	4,419,349	61,190	10,504,654
Accounts Receivable, net	381,159	2,373	2,083	47,582	-	433,197
Due from other governments	171,134	-	42,859	-	-	213,993
Due from other funds	374,291	-	-	-	-	374,291
Inventories	1,200	-	-	-	-	1,200
Prepaid costs	191,667	11,880	-	-	-	203,547
Restricted investments	-	-	13,773,351	-	-	13,773,351
Total assets	\$ 7,550,566	\$ 350,652	\$ 14,450,697	4,681,453	\$ 94,058	\$ 27,127,426
Liabilities:						
Accounts payable	\$ 156,588	\$ 5,816	\$ 26,478	21,394	\$ -	\$ 210,276
Due to other governments	803	-	-	-	3,058	3,861
Due to other funds	-	-	374,291	-	-	374,291
Deposits payable	35,934	10	-	-	-	35,944
Accrued liabilities	160,431	13,093	-	-	-	173,524
Unearned revenue	73,148	-	-	-	-	73,148
Total liabilities	426,904	18,919	400,769	21,394	3,058	871,044
Fund Balances:						
Nonspendable	192,867	11,880	-	-	-	204,747
Restricted for:						
Road improvements	-	-	-	-	90,984	90,984
Community redevelopment	-	-	14,049,928	-	-	14,049,928
Committed to:						
Capital equipment replacement	501,000	-	-	-	-	501,000
Land acquisition	420,687	-	-	-	-	420,687
Inverness Government Center sustainability	814,669	-	-	-	-	814,669
Valerie Theater building reserve	86,250	-	-	-	-	86,250
Employee accrual balance	136,000	-	-	-	-	136,000
Tort litigation	200,000	-	-	-	-	200,000
Fire services	50,000	-	-	-	-	50,000
Parks operation/capital	-	319,853	-	-	-	319,853
Road improvements	-	-	-	-	16	16
Capital projects	-	-	-	4,660,059	-	4,660,059
Assigned	-	-	-	-	-	-
Unassigned	4,722,189	-	-	-	-	4,722,189
Total fund balances	7,123,662	331,733	14,049,928	4,660,059	91,000	26,256,382
Total liabilities, deferred inflows of resources and fund balances	\$ 7,550,566	\$ 350,652	\$ 14,450,697	\$ 4,681,453	\$ 94,058	\$ 27,127,426

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

September 30, 2018

Total Fund Balance, Governmental Funds	\$	26,256,382
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		26,324,918
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Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting.		1,018,810
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Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds

Compensated absences	(295,650)	
Net pension liability	(2,699,865)	
Other postemployment benefits	(42,886)	
Accrued interest payable	(195,042)	
Bonds payable	(12,980,000)	
Premium on bonds payable	(381,996)	
	(16,595,439)	

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>37,004,671</u>
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Statement of Revenues, Expenditures, and Changes in Fund Balance**Governmental Funds**

For the Year Ended September 30, 2018

	Special Revenue Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Whispering Pines Park	Community Redevelopment Fund	Capital Projects		
Revenues:						
Taxes and special assessments	\$ 4,793,417	\$ -	\$ 1,198,447	\$ -	\$ -	\$ 5,991,864
Licenses and permits	419,174	-	-	-	-	419,174
Intergovernmental	1,311,324	309,194	10,000	-	-	1,630,518
Impact fees	-	-	-	228	32,025	32,253
Charges for services	915,353	65,029	-	-	-	980,382
Fees and fines	37,066	-	-	-	-	37,066
Investment earnings	102,689	6,800	245,669	75,720	284	431,162
Miscellaneous	391,123	10,401	50	85	-	401,659
Total revenues	7,970,146	391,424	1,454,166	76,033	32,309	9,924,078
Expenditures:						
Current:						
General government	1,719,465	-	-	-	-	1,719,465
Community development services	250,603	-	1,780,673	25,313	-	2,056,589
Public safety	1,214,324	-	-	-	-	1,214,324
Highways and streets	784,159	-	-	-	13,374	797,533
Physical environment	1,021,659	-	-	-	-	1,021,659
Culture and recreation	848,156	601,815	-	-	-	1,449,971
Debt Service:						
Interest	-	-	330,271	-	-	330,271
Capital Outlay	-	-	-	127,036	-	127,036
Total expenditures	5,838,366	601,815	2,110,944	152,349	13,374	8,716,848
Excess of revenues over expenditures	2,131,780	(210,391)	(656,778)	(76,316)	18,935	1,207,230
OTHER FINANCING USES:						
Transfers in	740,000	269,749	250,000	794,549	-	2,054,298
Transfers out	(1,122,098)	(192,200)	(211,500)	-	-	(1,525,798)
Total other financing uses	(382,098)	77,549	38,500	794,549	-	528,500
Net change in fund balances	1,749,682	(132,842)	(618,278)	718,233	18,935	1,735,730
Fund balances, beginning	5,373,980	464,575	14,668,206	3,941,826	72,065	24,520,652
Fund balances, ending	\$ 7,123,662	\$ 331,733	\$ 14,049,928	\$ 4,660,059	\$ 91,000	\$ 26,256,382

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ended September 30, 2018

Net Change in Fund Balances - total governmental funds: \$ 1,735,730

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	1,703,252	
Less: current year depreciation	<u>(954,796)</u>	748,456

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets		(51,057)
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Cash pension contributions reported in the funds were more than the calculated pension expense in the Statement of Activities, and therefore increased net position.		(267,111)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Change in accrued interest	(121,648)	
Amortization of bond premium	14,763	
Change in long-term compensated absences	(28,102)	
Change in other post employment benefits	<u>(130)</u>	<u>(135,117)</u>

Change in net position of governmental activities		<u>\$ 2,030,901</u>
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Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual - General Fund

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 5,587,796	\$ 5,587,796	\$ 4,793,417	\$ (794,379)
Licenses and permits	234,500	234,500	419,174	184,674
Intergovernmental	1,138,021	1,138,021	1,311,324	173,303
Charges for services	934,775	934,775	915,353	(19,422)
Fees and fines	28,800	28,800	37,066	8,266
Investment earnings	43,500	43,500	102,689	59,189
Miscellaneous	405,026	405,026	391,123	(13,903)
Total revenues	8,372,418	8,372,418	7,970,146	(402,272)
Expenditures:				
Current:				
General government	2,778,951	2,489,211	1,719,465	769,746
Community development services	409,349	409,349	250,603	158,746
Public safety	1,297,801	1,297,801	1,214,324	83,477
Highways and streets	818,696	1,309,021	784,159	524,862
Physical environment	1,107,540	1,107,540	1,021,659	85,881
Culture and recreation	1,006,224	1,027,274	848,156	179,118
Total expenditures	7,418,561	7,640,196	5,838,366	1,801,830
Excess (deficiency) of revenues over expenditures	953,857	732,222	2,131,780	1,399,558
Other Financing Sources:				
Transfers In	740,000	740,000	740,000	-
Transfers Out	(1,467,240)	(1,749,430)	(1,122,098)	627,332
Total other financing sources	(727,240)	(1,009,430)	(382,098)	627,332
Net change in fund balances	226,617	(277,208)	1,749,682	2,026,890
Fund balance, beginning	5,373,980	5,373,980	5,373,980	-
Fund balance, ending	\$ 5,600,597	\$ 5,096,772	\$ 7,123,662	\$ 2,026,890

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Whispering Pines Park Special Revenue Fund

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 307,500	\$ 307,500	\$ 309,194	\$ 1,694
Charges for services	83,300	83,300	65,029	(18,271)
Investment earnings	1,850	1,850	6,800	4,950
Miscellaneous	6,300	6,300	10,401	4,101
Total revenues	398,950	398,950	391,424	(7,526)
Expenditures:				
Current:				
Culture and recreation	653,699	672,389	601,815	70,574
Total expenditures	653,699	672,389	601,815	70,574
Excess (deficiency) of revenues over expenditures	(254,749)	(273,439)	(210,391)	63,048
Other Financing Sources:				
Transfers In	254,749	273,439	269,749	(3,690)
Transfers Out	(192,200)	(192,200)	(192,200)	-
Total other financing sources	62,549	81,239	77,549	(3,690)
Net change in fund balances	(192,200)	(192,200)	(132,842)	59,358
Fund balance, beginning	464,575	464,575	464,575	-
Fund balance, ending	\$ 272,375	\$ 272,375	\$ 331,733	\$ 59,358

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**Community Redevelopment Fund**

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 620,393	\$ 620,393	\$ 1,198,447	\$ 578,054
Intergovernmental	-	-	10,000	10,000
Investment earnings	26,500	26,500	245,669	219,169
Miscellaneous	-	-	50	50
Total revenues	646,893	646,893	1,454,166	807,273
Expenditures				
Current:				
Community development services	559,720	15,061,247	1,780,673	13,280,574
Debt service:				
Interest	330,271	330,271	330,271	-
Total expenditures	889,991	15,391,518	2,110,944	13,280,574
Excess (deficiency) of revenues over expenditures	(243,098)	(14,744,625)	(656,778)	14,087,847
Other Financing Sources:				
Notes issued	600,000	600,000	-	(600,000)
Transfers in	623,642	873,642	250,000	(623,642)
Transfers out	(211,500)	(211,500)	(211,500)	-
Total other financing sources	1,012,142	1,262,142	38,500	(1,223,642)
Net change in fund balances	769,044	(13,482,483)	(618,278)	12,864,205
Fund balance, beginning	14,668,206	14,668,206	14,668,206	-
Fund balance, ending	\$ 15,437,250	\$ 1,185,723	\$ 14,049,928	\$ 12,864,205

City of Inverness, Florida
Statement of Net Position
Proprietary Funds
September 30, 2018

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,686,839	\$ -	\$ 1,686,839
Investments	4,382,974	659,816	5,042,790
Accounts receivable, net	457,742	167	457,909
Accrued interest receivable	58,549	-	58,549
Other receivables	114,060	-	114,060
Due from other funds	28,810	-	28,810
Inventories	-	98,112	98,112
Prepays	41,840	-	41,840
Total current assets	6,770,814	758,095	7,528,909
Noncurrent assets:			
Restricted cash and cash equivalents	298,833	-	298,833
Total restricted assets	298,833	-	298,833
Capital assets:			
Land, buildings and equipment	39,661,422	44,763	39,706,185
Construction in progress	79,011	-	79,011
Less accumulated depreciation	(15,372,140)	(42,719)	(15,414,859)
Total capital assets (net of depreciation)	24,368,293	2,044	24,370,337
Total noncurrent assets	24,667,126	2,044	24,669,170
Total assets	31,437,940	760,139	32,198,079
Deferred outflows of resources			
Deferred outflows-pension earnings	27,208	-	27,208
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	273,627	5,796	279,423
Accrued liabilities	-	193	193
Accrued interest payable	26,223	-	26,223
Due to other funds	-	28,810	28,810
Customer deposits payable	300,673	149	300,822
Compensated absences	2,728	-	2,728
Capital lease obligation	152,410	-	152,410
Notes payable	138,771	-	138,771
Total current liabilities	894,432	34,948	929,380
Noncurrent Liabilities:			
Capital lease payable	1,250,263	-	1,250,263
Net pension liability	53,599	-	53,599
Notes payable	2,916,459	-	2,916,459
Total noncurrent liabilities	4,220,321	-	4,220,321
Total liabilities	5,114,753	34,948	5,149,701
Deferred Inflows of Resources:			
Deferred inflows-pension earnings	6,981	-	6,981
Total deferred inflows of resources	6,981	-	6,981
Net Position:			
Net investment in capital assets	19,910,390	2,044	19,912,434
Restricted for perpetual care	-	465,792	465,792
Unrestricted	6,433,024	257,355	6,690,379
Total net position	\$ 26,343,414	\$ 725,191	\$ 27,068,605

Statement of Revenues, Expenses and Changes in Fund Net Position -**Proprietary Funds**

For the Year Ended September 30, 2018

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
Operating Revenues:			
Charges for services	\$ 3,835,096	\$ 25,230	\$ 3,860,326
Miscellaneous	60,774	96	60,870
Total operating revenues	3,895,870	25,326	3,921,196
Operating expenses:			
Salaries and benefits	55,455	10,664	66,119
Contractual services	1,502,267	43,110	1,545,377
Utilities	209,050	1,026	210,076
Materials and supplies	96,421	-	96,421
Other operating expenses	120,735	2,039	122,774
Depreciation	888,918	650	889,568
Total operating expenses	2,872,846	57,489	2,930,335
Operating income (loss)	1,023,024	(32,163)	990,861
Nonoperating Revenue (Expenses):			
Investment income	92,818	7,601	100,419
Miscellaneous revenue	10,129	-	10,129
Interest expense	(112,915)	-	(112,915)
Sale of fixed asset	1,450	-	1,450
Total nonoperating revenue (expenses)	(8,518)	7,601	(917)
Income before transfers	1,014,506	(24,562)	989,944
Transfers out	(525,000)	(3,500)	(528,500)
Change in net position	489,506	(28,062)	461,444
Total Net Position, beginning	25,853,908	753,253	26,607,161
Total Net Position, ending	\$ 26,343,414	\$ 725,191	\$ 27,068,605

City of Inverness, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Water and Sewer Utility	Cemetery	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,808,223	\$ 28,894	\$ 3,837,117
Payments to suppliers	(1,940,084)	(40,713)	(1,980,797)
Payments to employees	(51,156)	(10,781)	(61,937)
Net cash provided (used) by operating activities	<u>1,816,983</u>	<u>(22,600)</u>	<u>1,794,383</u>
Cash Flows from Noncapital:			
Financing Activities:			
Increase in due from other funds	(24,123)	-	(24,123)
Increase in due to other funds	-	24,123	24,123
Transfers out	(525,000)	(3,500)	(528,500)
Net cash provided (used) by noncapital financing activities	<u>(549,123)</u>	<u>20,623</u>	<u>(528,500)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of capital assets	4,074	-	4,074
Insurance Proceeds	10,129	-	10,129
Acquisition of capital assets	(222,360)	-	(222,360)
Principal paid on long-term debt	(274,544)	-	(274,544)
Interest paid on long-term debt	(114,704)	-	(114,704)
Net cash provided (used) by capital and related financing activities	<u>(597,405)</u>	<u>-</u>	<u>(597,405)</u>
Cash Flows from Investing Activities:			
Sales of investments	(40,728)	(5,624)	(46,352)
Investment income	78,858	7,601	86,459
Net cash provided(used) by investing activities	<u>38,130</u>	<u>1,977</u>	<u>40,107</u>
Net Increase in Cash and Cash Equivalents	708,585	-	708,585
Cash and Cash Equivalents, beginning	1,277,087	-	1,277,087
Cash and Cash Equivalent, ending	<u>\$ 1,985,672</u>	<u>\$ -</u>	<u>\$ 1,985,672</u>
Classified As:			
Cash and cash equivalents	\$ 1,686,839	\$ -	\$ 1,686,839
Restricted cash and cash equivalents	298,833	-	298,833
Total	<u>\$ 1,985,672</u>	<u>\$ -</u>	<u>\$ 1,985,672</u>

	<u>Water and Sewer Utility</u>	<u>Cemetery</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	\$ 1,023,024	\$ (32,163)	\$ 990,861
Adjustments Not Affecting Cash:			
Depreciation and amortization	888,918	650	889,568
Change in Assets and Liabilities:			
(Increase) Decrease in accounts receivable	(102,361)	3,568	(98,793)
(Increase) Decrease in prepaids	(18,525)	-	(18,525)
Increase (Decrease) in accounts payable	6,914	5,462	12,376
Increase (Decrease) in accrued liabilities	-	(117)	(117)
Increase (Decrease) in compensated absences	2,728	-	2,728
Increase (Decrease) in deferred inflows	4,080	-	4,080
Increase (Decrease) in deferred outflows	8,209	-	8,209
Increase (Decrease) in net pension liability	(10,718)	-	(10,718)
Increase in customer deposits	14,714	-	14,714
Total adjustments	<u>793,959</u>	<u>9,563</u>	<u>803,522</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,816,983</u>	<u>\$ (22,600)</u>	<u>\$ 1,794,383</u>

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Inverness, Florida ("the City") is a political subdivision of the state of Florida located in Citrus County, and was incorporated in 1919, under the laws of Florida, Chapter 8274 (Act 492). The legislative branch of the City is comprised of a five-member elected Council and a separately elected Mayor, which is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy; the execution of such policy is the responsibility of the City Manager appointed by the Council.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

The City of Inverness created the Downtown Redevelopment Agency (CRA) by City Resolution No. 90.07. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Then in 2014, the City expanded the CRA in accordance with Chapter 163 of the Florida Statutes designating the expanded area, and passed Ordinance 2014-703 adopting the CRA plan amendment to extend the boundaries and extend the implementation period for 30 years following the amendment of the existing plan. The incremental annual increase in tax over the base years (1990 and 2014) will be used to fund projects designed to enhance and improve the described area. The CRA is governed by a board of seven appointed by the City Council. Separate financial statements are not issued for the CRA; the CRA Fund is presented as a blended component unit and is included in the City's fund financials.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected 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 compensated absences and claims and judgments, are recorded only when payment is due.

Property 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 revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following funds:

Major Governmental Funds

General Fund - is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Whispering Pines Park Special Revenue Fund - accounts for the operations of the Whispering Pines Park, financed principally by contributions from the School Board of Citrus County and transfers from the General Fund.

Community Redevelopment Fund - established as a dependent taxing district. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area.

Capital Projects Fund - accounts for the acquisition and construction of major capital assets other than those financed by proprietary funds.

Nonmajor Governmental Funds

Special Revenue Funds - account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Proprietary Funds

Water and Sewer Utility Fund - is used to account for the operations of the City's water and sewer systems, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

Cemetery Fund - accounts for the sale of lots and maintenance of the Oak Ridge Cemetery.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer Utility and Cemetery funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the City are reported at fair value. The City's investments consist of investments authorized per the investment policy adopted in accordance with Section 218.415, Florida Statutes.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

Restricted assets

Certain proceeds of the City's enterprise fund notes and leases, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts or their use is limited by applicable debt covenants. Restricted assets also include security deposits held by the enterprise funds. The General Fund also restricts assets for security deposits for commercial sanitation deposits. Assets so designated are identified as restricted assets on the balance sheet.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized in enterprise fund capital assets in 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10-50
Infrastructure and Improvements	10-50
Equipment	5-20
Intangible Assets	5-20

Compensated absences

It is the City's policy to permit Charter employees to accumulate earned but unused personal leave benefits. Since the City's policy is to pay accumulated personal leave when employees separate from service, all personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City pays general employees any unused leave balances on the employee's anniversary date. General employees may elect to transfer their unused sick time to a catastrophic leave bank, but unused vacation time is not carried over. For governmental funds, compensated absences, net pension liability and other post-employment benefits are generally liquidated by the General Fund.

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 and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category for the year ended September 30, 2018, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category for the year ended September 30, 2018, deferred inflows of pension earnings.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted first before using any of the components of unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classifications are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has the responsibility for assigning fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

New GASB Statements Implemented

In fiscal year 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Due to the implementation of GASB Statement No. 75, beginning net position of governmental activities was reduced \$15,550.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position- governmental activities* as reported in the government-wide statement of net position.

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government - Wide Statement of Activities The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Whispering Pines Park Special Revenue Fund, Community Redevelopment Agency Special Revenue Fund, Capital Projects Fund and Enterprise Funds, except as described below under Budget Basis of Accounting. All annual appropriations lapse at fiscal year end. The City follows these procedures set forth below in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1st, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers comments.
3. On or before September 30th of each year, public hearings are completed and the Council adopts the final budget and establishes the ad valorem tax millage.
4. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within departments within any fund unless the transfer affects a budgeted reserve. The City Council must approve revisions that alter the total expenditures of any department. The legal level of budgetary control is department.
5. Budgetary comparisons are not presented for Enterprise Funds since not required under generally accepted accounting principles.

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits

All bank deposits were covered by Federal Depository Insurance or held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. This limits local government deposits to "authorized depositories." The State of Florida Collateral Pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if a member institution fails. For this reason, the City considers its deposits insured or collateralized.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The City's investment policy is governed by State Statutes and City ordinances. The investment policy does not apply to funds related to the issuance of debt where there are other existing policies or indentures in effect. City ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with chapter 280 of the Florida Statutes. Authorized investments are:

1. Direct obligations of the U.S. Government, its Agencies or Instrumentalities;
2. Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally recognized rating agency;
3. Insured or fully collateralized Certificates of Deposit and other forms of deposit in financial institutions that are qualified public depositories of the State as determined by the State Treasurer, in accordance with Chapter 280.02 of the State Statutes;
4. Financial institution deposits that are in qualified public depositories of the State in accordance with Chapter 280.02, where the selected depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured financial institutions, wherever located, for the account of the City in amounts that ensure that each certificate of deposit is insured by the Federal Deposit Insurance Corporation, and meet the requirements of Chapter 218.415 (23);
5. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01; and
6. Repurchase agreements secured by direct obligations of the U.S. Government, its Agencies, or Instrumentalities, pledged with an independent third party approved by the City, and having a market value of not less than 102% of investment balance plus interest. All repurchase agreement transactions shall be governed in accordance with a master repurchase agreement executed in compliance with State law.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund; therefore, the pool account balance can be used as fair value for the financial reporting.

Investments made by the City at September 30, 2018 are summarized below.

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (Years)
Florida Prime	\$ 40,642	AAAm	33 days
Florida Safe Money Market	9,741,338	AAAm	N/A
Florida Safe Term Securities	12,372,000	AAAm	94 days
0-2 Year High Quality Bond	66,815	AAAm	.70 years
Certificate of Deposit	7,100,000	Not Rated	1.18 years
	\$ 29,320,795		

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the City's own data in measuring unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2018:

Investments Valued by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
0-2 Year High Quality Bond	\$ 66,816	\$ -
	<u>\$ 66,816</u>	<u>\$ 66,816</u>

Credit Risk

The City's investment policy limits credit risk by restricting authorized investments to those described above. The policy requires that investments in U.S. Government Agency Securities be guaranteed by the full faith of the U.S. Government. Also, term repurchase agreements must be collateralized by U.S. Treasury securities and overnight (sweep) repurchase agreements must be collateralized by the full faith or general faith and credit obligations of the U.S. Government or U.S. Government Agency Securities. Securities of registered investment companies must be limited to U.S. Government obligations and to repurchase agreements fully collateralized by such U.S. Government obligations.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2018, all of the City's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. At September 30, 2018, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The policy has no limitations on portfolio composition.

Interest Rate Risk

The policy minimizes interest rate risk by structuring investments to meet cash requirements and diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

NOTE 5 RECEIVABLES

Receivables as of September 30, 2018 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Whispering Pines Park	Community Redevelopment	Capital Projects	Water and Sewer Utility Fund	Cemetery Fund	Total
Receivables:							
Accounts	\$ 381,159	\$ 2,373	\$ 2,083	\$ 47,582	\$ 531,462	\$ 167	\$ 964,826
Less Allowance for Uncollectible Accounts	-	-	-	-	(73,720)	-	(73,720)
	<u>\$ 381,159</u>	<u>\$ 2,373</u>	<u>\$ 2,083</u>	<u>\$ 47,582</u>	<u>\$ 457,742</u>	<u>\$ 167</u>	<u>\$ 891,106</u>

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,697,090	\$ 2,980	\$ -	\$ 3,700,070
Construction in progress	740,869	1,597,889	(1,410,958)	927,800
Total capital assets, not being depreciated	4,437,959	1,600,869	(1,410,958)	4,627,870
Capital assets, being depreciated:				
Buildings	10,229,047	675,804	-	10,904,851
Improvements	16,628,796	667,791	-	17,296,587
Machinery and equipment	2,833,191	54,154	(97,560)	2,789,785
Intangibles	579,436	64,535	-	643,971
Total capital assets, being depreciated	30,270,470	1,462,284	(97,560)	31,635,194
Less accumulated depreciation for:				
Buildings	(2,437,254)	(219,472)	-	(2,656,726)
Improvements	(4,492,983)	(505,695)	-	(4,998,678)
Machinery and equipment	(1,724,391)	(179,643)	97,560	(1,806,474)
Intangibles	(426,282)	(49,986)	-	(476,268)
Total accumulated depreciation	(9,080,910)	(954,796)	97,560	(9,938,146)
Total capital assets, being depreciated, net	21,189,560	507,488	-	21,697,048
Governmental activities capital assets, net	\$ 25,627,519	\$ 2,108,357	\$ (1,410,958)	\$ 26,324,918

NOTE 6 CAPITAL LEASES (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 651,855	\$ -	\$ -	\$ 651,855
Construction in progress	30,852	50,783	(2,624)	79,011
Total capital assets, not being depreciated	<u>682,707</u>	<u>50,783</u>	<u>(2,624)</u>	<u>730,866</u>
Capital assets, being depreciated:				
Buildings	17,669,190	-	-	17,669,190
Improvements	13,917,257	108,449	-	14,025,706
Machinery and equipment	7,312,159	63,128	(15,853)	7,359,434
Total capital assets, being depreciated	<u>38,898,606</u>	<u>171,577</u>	<u>(15,853)</u>	<u>39,054,330</u>
Less accumulated depreciation for:				
Buildings	(3,066,827)	(357,097)	-	(3,423,924)
Improvements	(5,089,238)	(418,894)	-	(5,508,132)
Machinery and equipment	(6,385,079)	(113,577)	15,853	(6,482,803)
Total accumulated depreciation	<u>(14,541,144)</u>	<u>(889,568)</u>	<u>15,853</u>	<u>(15,414,859)</u>
Total capital assets, being depreciated, net	<u>24,357,462</u>	<u>(717,991)</u>	<u>-</u>	<u>23,639,471</u>
Business-type activities capital assets, net	<u>\$ 25,040,169</u>	<u>\$ (667,208)</u>	<u>\$ (2,624)</u>	<u>\$ 24,370,337</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 334,314
Public Safety	24,552
Development services	140,202
Highways and streets	213,233
Culture and recreation	242,495
Total Depreciation Expense, governmental activities	<u>\$ 954,796</u>
Business-type Activities:	
Water and sewer	\$ 888,918
Cemetery	650
Total depreciation Expense, business-type activities	<u>\$ 889,568</u>

NOTE 7 LEASES

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition and installation of water meter equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets		
Improvements	\$ -	\$ 2,228,626
Less: Accumulated depreciation	-	(315,573)
Total	<u>\$ -</u>	<u>\$ 1,913,053</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

	Governmental Activities	Business-type Activities
<u>Year Ending September 30</u>		
2019	\$ -	\$ 190,500
2020	-	196,000
2021	-	202,000
2022	-	207,500
2023	-	213,500
2024-2026	-	560,500
Total Minimum Lease Payments	-	1,570,000
Less: Amount representing interest	-	(167,327)
Capital Lease Payable	<u>\$ -</u>	<u>\$ 1,402,673</u>

The City leases a portion of its Government center under various operating leases. The following is a schedule of minimum future revenues from non-cancelable agreements as of September 30:

<u>Year Ending September 30</u>	
2018	\$ 155,900
2019	121,084
2020	40,559
2021	-
2022	-
	<u>\$ 317,543</u>

NOTE 7 LEASES (CONTINUED)

Total income under non-cancelable operating leases for the year ended September 30, 2018 was \$132,582. Following is a schedule of approximate cost or carrying value and accumulated depreciation of capital assets under operating leases:

Buildings	\$ 1,925,718
Accumulated Depreciation	<u>(445,219)</u>
Capital Assets Held for Lease, net	<u><u>\$ 1,480,499</u></u>

NOTE 8 LONG-TERM DEBT

Notes Payable

In 2005, the City executed a State Revolving Loan agreement for various water and wastewater system upgrades. The amended agreement provides total funding of \$16,052,561, including grant funding of \$10,000,000 that will be funded by the state through a Small Community Wastewater Grant. The loan period is 26 years with an interest rate of 2.3%. The loan is secured by the gross revenues from the water and sewer utility net of operation and maintenance costs. Total principal and interest remaining was \$3,749,248. For the fiscal year, principal and interest paid was \$208,248 and total pledged revenue was \$2,004,760.

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ -	\$ 138,771	\$ 70,261
2020	-	-	141,981	66,267
2021	-	-	145,265	62,983
2022	-	-	148,626	59,622
2023	-	-	152,064	56,184
2024-2028	-	-	814,739	226,501
2029-2033	-	-	913,434	127,806
2034-2037	-	-	600,350	24,394
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,055,230</u>	<u>\$ 694,018</u>

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bonds Payable

In 2017, the City issued Tax Increment Revenue Refunding Bonds, Series 2017. These Bonds were issued to fund various City-wide projects and upgrades managed by the Inverness Community Development District. The agreement provided total funding of \$12,980,000. The loan period is 27 years with an interest rate of 4%. The bonds are secured by Ad Valorem revenues from the Community Development District and supplemented by general fund ad valorem revenues. Total principal and interest remaining was \$20,191,938. For the fiscal year, interest paid was \$330,271 and total pledged revenue was \$1,444,116.

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 280,000	\$ 468,100	\$ -	\$ -
2020	290,000	459,700	-	-
2021	295,000	451,000	-	-
2022	310,000	439,200	-	-
2023	320,000	426,800	-	-
2024-2028	1,860,000	1,877,250	-	-
2029-2033	2,320,000	1,420,200	-	-
2034-2038	2,705,000	1,036,375	-	-
2039-2043	3,175,000	560,750	-	-
2044-2045	1,425,000	72,563	-	-
	<u>\$ 12,980,000</u>	<u>\$ 7,211,938</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
ICRA Refunding Revenue Bonds	\$ 12,980,000	\$ -	\$ -	\$ 12,980,000	\$ 280,000
Bond Premium	396,759	-	(14,763)	381,996	-
Compensated absences	267,548	28,102	-	295,650	29,565
Other post employment benefits	42,756	130	-	42,886	-
Net pension liability	2,859,524	-	(159,659)	2,699,865	-
Governmental activity long-term liabilities	<u>\$ 16,546,587</u>	<u>\$ 28,232</u>	<u>\$ (174,422)</u>	<u>\$ 16,400,397</u>	<u>\$ 309,565</u>
Business-type Activities:					
SRF Note payable	\$ 3,190,864	\$ -	\$ (135,634)	\$ 3,055,230	\$ 138,771
Capital lease	1,541,583	-	(138,910)	1,402,673	152,410
Compensated absences	-	2,728	-	2,728	2,728
Net pension liability	64,317	-	(10,718)	53,599	-
Business-type activity long-term liabilities	<u>\$ 4,796,764</u>	<u>\$ 2,728</u>	<u>\$ (285,262)</u>	<u>\$ 4,514,230</u>	<u>\$ 293,909</u>

NOTE 8 LONG-TERM DEBT (CONTINUED)

Governmental compensated absences will be liquidated by the General and Whispering Pines Park Funds. The General Fund pays for approximately 95% of compensated absences, while the Whispering Pines Park Fund pays 5%. Other post-employment benefits and net pension liability will be liquidated by the General Fund.

NOTE 9 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2018 consisted of the following:

	Transfers In				Total
	General Fund	Whispering Pines Park Fund	Community Redevelopment Fund	Capital Projects	
Transfer Out:					
General Fund	\$ -	\$ 269,749	\$ 250,000	\$ 602,349	\$ 1,122,098
Whispering Pines Park Fund	-	-	-	192,200	192,200
Community Redevelopment Fund	211,500	-	-	-	211,500
Water and Sewer Utility Fund	525,000	-	-	-	525,000
Cemetery Fund	3,500	-	-	-	3,500
Total	<u>\$ 740,000</u>	<u>\$ 269,749</u>	<u>\$ 250,000</u>	<u>\$ 794,549</u>	<u>\$ 2,054,298</u>

Transfers between funds are primarily to move unrestricted revenues collected in funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 RETIREMENT PLANS

Florida Retirement System

City employees, except for participants in the separate general employees' defined contribution pension fund and the City Manager, participate in the State of Florida Retirement System (FRS), a cost-sharing multiple-employer public employee retirement plan administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. The City elected to opt out of the System beginning with employees hired after January 1, 1996, then elected to re-enter with employees hired on or after January 1, 2005.

All employees, other than those described above participate in FRS. Employees who retire at or after age 62 with 10 years of credited service, or 30 years of credited service regardless of age, are entitled to a retirement benefit equal to 1.6% to 1.68% (dependent upon age and years of service) of their average final compensation. The average final compensation is the average of the five highest fiscal years of earnings. Benefits are adjusted annually for a cost of living increase in the Consumer Price Index up to a maximum of 3%. At September 30, 2018, 45 City employees were members of the FRS Retirement plans.

Benefits are payable monthly under one of four options elected by the participant upon retirement. The options range from a full benefit during life of the member to reduced benefits paid to survivors upon the death of the member. Benefits fully vest on reaching 6 years of service. Vested employees may retire at any time after vesting and receive a 5% benefit reduction for each year prior to normal retirement age or date. FRS also provides death and disability benefits.

NOTE 10 RETIREMENT PLANS (CONTINUED)

General Information

As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications

Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

NOTE 10 RETIREMENT PLANS (CONTINUED)

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three 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 three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular-7.92% and 8.26%; Special Risk Administrative Support-34.63% and 34.98%; Special Risk-23.27% and 24.50%; Senior Management Service-22.71% and 24.06%; Elected Officers-45.50% and 48.70%; and DROP participants-13.26% and 14.03%.

These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$213,550 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of \$2,199,365 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .0073 percent, which was an increase (decrease) of (.0006) percent from its proportionate share measured as of June 30, 2017.

NOTE 10 RETIREMENT PLANS (CONTINUED)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$460,240. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 186,319	\$ 6,763
Change of Assumptions	718,646	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	169,928
Changes in Proportion and Differences Between City Pension Plan Contributions and Proportionate Share of Contributions	285,255	82,523
City Pension Plan Contributions Subsequent to the Measurement Date	<u>52,545</u>	<u>-</u>
Total	<u><u>\$ 1,242,765</u></u>	<u><u>\$ 259,214</u></u>

The deferred outflows of resources related to the Pension Plan, totaling \$52,545 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2019	\$ 365,210
2020	247,527
2021	66,155
2022	158,684
2023	86,808
Thereafter	6,622

NOTE 10 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.90%	2.90%	1.80%
Fixed Income	18.00%	4.40%	4.30%	4.00%
Global Equities	54.00%	7.60%	6.30%	17.00%
Real Estate	11.00%	6.60%	6.00%	11.30%
Private Equity	10.00%	10.70%	7.80%	26.50%
Strategic Investments	6.00%	6.00%	5.70%	8.60%
Total	100.00%			
Assumed Inflation - Mean			2.60%	1.90%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The Pension 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 calculation the total pension liability is equal to the long-term expected rate of return.

NOTE 10 RETIREMENT PLANS (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate Share of the Net Pension Liability	\$ 4,013,934	\$ 2,199,365	\$ 692,259

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension 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, 2018, the City reported a payable in the amount of \$21,305 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

HIS Plan

Plan Description

The 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 September 30, 2018, 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. To be eligible to receive these benefits, 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, 2018, the HIS contribution for the period October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018 was 1.66% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$29,038 for the fiscal year ended September 30, 2018.

NOTE 10 RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of \$554,099 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .0052 percent, which was an increase (decrease) of (.0004) percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$50,231. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 8,483	\$ 941
Change of Assumptions	61,623	58,584
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	334	-
Changes in Proportion and Differences Between City HIS Plan Contributions and Proportionate Share of Contributions	77,604	39,852
City HIS Plan Contributions Subsequent to the Measurement Date	6,819	-
Total	\$ 154,863	\$ 99,377

The deferred outflows of resources related to the HIS Plan, totaling \$6,819 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2019	\$ 16,623
2020	16,598
2021	16,362
2022	10,096
2023	(2,824)
Thereafter	(8,188)

NOTE 10 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

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

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.87 % net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.87%. 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 HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.87%, 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 one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
City's Proportionate Share of the Net Pension Liability	\$ 631,086	\$ 554,099	\$ 489,926

Pension Plan Fiduciary Net Position

Detailed information regarding 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.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

NOTE 10 RETIREMENT PLANS (CONTINUED)

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 participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension 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 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2017-18 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for 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 five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2018, the information for the amount of 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; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the 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 \$78,988 for the fiscal year ended September 30, 2018.

General Employees Defined Contribution Pension Plan

All of the City's full-time general employees hired after January 1, 1996, but before January 1, 2005, participate in a single-employer, defined contribution pension plan.

Chapter 112 of the Florida Statutes provides for a system of retirement plans for general employees. Chapter 112 sets forth maximum benefits, administrative arrangements, and fiduciary responsibilities. Non-bargaining unit employees contribute 3% of their earnings to the fund, union employees make voluntary contributions only, not to exceed 7%, and the City is required to make contributions from general revenues at the rate of 10% of covered earnings.

NOTE 10 RETIREMENT PLANS (CONTINUED)

The plan assets are held in trust for the employees by a third party administrator and are not subject to creditors of the City. Therefore, the assets, liabilities, net assets and operations of this plan are not presented in the City's financial statements.

At September 30, 2018 there were no plan members or City contributions to the plan.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan assets are held in trust for the employees by a third party administrator and investments are directed by the participating employees. Therefore, the assets, liabilities, net assets and operations of this plan are not presented on the City's financial statements.

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS

Plan Description - The City of Inverness's Retiree Health Care Plan (Plan) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under the applicable retirement plan to continue medical insurance coverage as a participant in the City's plan. For purposes of applying Paragraph 4 under Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust. The City has chosen pay-as-you-go funding, but is recording the liability in the government wide financial statements. This plan does not issue stand-alone financial statements.

Employees Covered by Benefit Term - At October 1, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	40
Net OPEB Obligation (End of Year)	<u><u>41</u></u>

Benefits Provided - A retired employee and his or her spouse and eligible dependents are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable retirement plan. For retirees over age 60 with at least 25 years of Credited Service, the City contributes \$5 per year of Credited Service each month towards each retiree's health premiums until the retiree becomes eligible to receive Medicare. The retiree is responsible for paying the remaining monthly premium for health coverage and that of any covered spouse or eligible dependents.

Summary of Actuarial Methods & Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The City qualifies to use the alternative measurement method, and has elected to do so. The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.18%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

For all lives, mortality rates were RP-2000 Combined Health Mortality Tables projected to the valuation date using Projection Scale AA.

Discount Rate - Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal 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.

For the year ended September 30, 2018, the City will recognize OPEB Expense of \$9,222. Below are the details regarding the Total OPEB liability for the measurement period from October 1, 2017 to September 30, 2018.

	Increases and (Decreases) in Total OPEB Liability
Balances at September 30, 2017	\$ 42,756
Changes for a Year:	
Service cost	6,137
Interest	1,689
Changes of assumptions	(2,704)
Contributions - employer	-
Benefit Payments	(4,992)
Net Changes	130
Balances at September 30, 2018	\$ 42,886

Changes of assumptions reflect a change in the discount rate from 3.64% for the fiscal year ending September 30, 2017 to 4.18% for fiscal year ending September 30, 2018.

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability (Asset)	\$ 48,118	\$ 42,886	\$ 38,506

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.50%	Healthcare Cost Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Total OPEB Liability (Asset)	\$ 37,758	\$ 42,886	\$ 49,177

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters for which the City carries commercial insurance.

Risk of loss from above is transferred by the City to various commercial insurers through the purchase of insurance. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage during the past three years.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Litigation

The City is engaged in various liability claims incidental to the conduct of its general government operations. While the outcome of the litigation is not presently determinable, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Continuation Insurance Plan

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Last Ten Fiscal Years*

	<u>9/30/2018</u>
Total OPEB Liability	
Service cost	\$ 6,137
Interest	1,689
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(2,704)
Benefit Payments	(4,992)
Net change in total OPEB liability	<u>130</u>
Total OPEB liability, beginning	<u>42,756</u>
Total OPEB liability, ending	<u><u>\$ 42,886</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered payroll	\$ 1,550,588
Total OPEB liability as a percentage of covered payroll	2.77%

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2018	4.18%
Fiscal Year Ending September 30, 2017	3.64%

*Only 1 year of data available.

**Schedule of the City's Proportionate Share of Net Pension Liability
Florida Retirement System (FRS)
Last 10 Fiscal Years***

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.007301884%	0.007850393%	0.006162172%	0.005609830%	0.005401096%
City's Proportionate Share of the Net Pension Liability	\$ 2,199,365	\$ 2,322,094	\$ 1,555,953	\$ 724,585	\$ 329,546
City's Covered-employee Payroll	\$ 1,709,056	\$ 1,805,362	\$ 1,615,922	\$ 1,455,498	\$ 1,265,550
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	128.69%	128.62%	96.29%	49.78%	26.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%

**Schedule of the City's Proportionate Share of Net Pension Liability
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years***

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.005235197%	0.005627769%	0.004954573%	0.004605352%	0.004340684%
City's Proportionate Share of the Net Pension Liability	\$ 554,099	\$ 601,747	\$ 577,435	\$ 469,673	\$ 405,865
City's Covered-employee Payroll	\$ 1,709,056	\$ 1,805,362	\$ 1,615,922	\$ 1,455,498	\$ 1,265,550
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	32.42%	33.33%	35.73%	32.27%	32.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%

* Information for prior years not available.

**Schedule of the City Contributions
Florida Retirement System (FRS)
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 213,550	\$ 203,914	\$ 161,581	\$ 138,199
Contributions in Relation to the Contractually Required Contribution	<u>(213,550)</u>	<u>(203,914)</u>	<u>(161,581)</u>	<u>(138,199)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-employee Payroll	 \$ 1,748,067	 \$ 1,747,095	 \$ 1,615,922	 \$ 1,455,498
 Contributions as a Percentage of Covered-employee Payroll	 12.22%	 11.67%	 10.00%	 9.49%

**Schedule of the City Contributions
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 29,038	\$ 28,851	\$ 26,098	\$ 19,682
Contributions in Relation to the Contractually Required Contribution	<u>(29,038)</u>	<u>(28,851)</u>	<u>(26,098)</u>	<u>(19,682)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-employee Payroll	 \$ 1,748,067	 \$ 1,747,095	 \$ 1,615,922	 \$ 1,455,498
 Contributions as a Percentage of Covered-employee Payroll	 1.66%	 1.65%	 1.62%	 1.35%

* Information for prior years not available.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Major Governmental Fund

- Capital Projects Fund** - Accounts for the acquisition and construction of major capital assets other than those financed by proprietary funds.

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Capital Projects Fund

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 713,000	\$ 778,838	\$ -	\$ (778,838)
Impact fees	-	-	228	228
Investment earnings	-	-	75,720	75,720
Miscellaneous	-	-	85	85
Total revenues	<u>713,000</u>	<u>778,838</u>	<u>76,033</u>	<u>(702,805)</u>
Expenditures:				
Current:				
Community development services	85,000	234,483	25,313	209,170
Capital outlay	1,628,700	3,718,573	127,036	3,591,537
Total expenditures	<u>1,713,700</u>	<u>3,953,056</u>	<u>152,349</u>	<u>3,800,707</u>
Excess (deficiency) of revenues over expenditures	<u>(1,000,700)</u>	<u>(3,174,218)</u>	<u>(76,316)</u>	<u>3,097,902</u>
Other Financing Sources:				
Transfers in	781,049	794,549	794,549	-
Total other financing sources	<u>781,049</u>	<u>794,549</u>	<u>794,549</u>	<u>-</u>
Net change in fund balances	(219,651)	(2,379,669)	718,233	3,097,902
Fund balance, beginning	3,941,826	3,941,826	3,941,826	-
Fund balance, ending	<u>\$ 3,722,175</u>	<u>\$ 1,562,157</u>	<u>\$ 4,660,059</u>	<u>\$ 3,097,902</u>

Nonmajor Governmental Funds

Special Revenue Funds

Road Improvement

- Accounts for capital road facilities projects funded by special assessments.

Impact Fee

- Accounts for the collection and expenditures of transportation impact fees. All proceeds are collected from the fee and all interest accrued on said funds shall be used for the purpose of capital road facilities on the major road system within the corporate city limits of the City of Inverness.

City of Inverness, Florida
Combining Balance Sheet
Other Governmental Funds
September 30, 2018

	<u>Special Revenue</u>		Total Other Governmental Funds
	Road Improvement Fund	Impact Fee Fund	
Assets:			
Cash and cash equivalents	\$ 16	\$ 32,852	\$ 32,868
Investments	-	61,190	61,190
Total assets	<u>\$ 16</u>	<u>\$ 94,042</u>	<u>\$ 94,058</u>
Liabilities:			
Due to other governments	\$ -	\$ 3,058	\$ 3,058
Total liabilities	<u>-</u>	<u>3,058</u>	<u>3,058</u>
Fund Balances:			
Restricted for road improvements	-	90,984	90,984
Committed to:			
Road Improvements	16	-	16
Total fund balances	<u>16</u>	<u>90,984</u>	<u>91,000</u>
Total Liabilities and fund balances	<u>\$ 16</u>	<u>\$ 94,042</u>	<u>\$ 94,058</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

For the Year Ended September 30, 2018

	<u>Special Revenue</u>		<u>Total Other Governmental Funds</u>
	<u>Road Improvement Fund</u>	<u>Impact Fee Fund</u>	
Revenues:			
Impact fees	\$ -	\$ 32,025	\$ 32,025
Investment earnings	-	284	284
Total revenues	<u>-</u>	<u>32,309</u>	<u>32,309</u>
Expenditures:			
Capital Outlay			
Physical environment	-	-	-
Highways and streets	13,145	229	13,374
Total expenditures	<u>13,145</u>	<u>229</u>	<u>13,374</u>
Excess of Revenues Over Expenditures	<u>(13,145)</u>	<u>32,080</u>	<u>18,935</u>
Net Change in Fund Balances	(13,145)	32,080	18,935
Fund Balances - beginning	13,161	58,904	72,065
Fund Balances - ending	<u>\$ 16</u>	<u>\$ 90,984</u>	<u>\$ 91,000</u>

STATISTICAL SCHEDULES

City of Inverness

City-Wide Taxable Value and Estimated Actual Value of Taxable Property Last Three Fiscal Years

Fiscal Year End	Residential Property	Commercial Property	Industrial Property	Other Property	Tangible Personal Property	Tangible Taxable Value	Total Direct Tax Rate	Estimated Actual Taxable Value (1)	Factor of Taxable Value (1)	Assessed Value as a Percentage of Actual Value
2009	-	-	-	-	-	453,108,962	5.3902	-	-	-
2010	-	-	-	-	-	410,518,316	5.9810	-	-	-
2011	-	-	-	-	-	379,469,158	6.2158	-	-	-
2012	-	-	-	-	-	366,669,249	6.4923	-	-	-
2013	-	-	-	-	-	349,577,662	6.4955	-	-	-
2014	-	-	-	-	-	350,108,259	6.9949	-	-	-
2015	-	-	-	-	-	349,709,760	7.0729	-	-	-
2016	163,764,815	161,017,089	3,799,020	90,522,688	58,371,861	477,475,473	7.5729	615,851,685	1.289808	77.53%
2017	172,814,507	158,954,754	4,286,803	97,795,632	58,520,031	492,371,727	8.0729	622,053,577	1.263382	79.15%
2018	192,698,424	154,282,585	4,335,532	79,646,332	56,695,626	487,658,499	8.2729	661,434,142	1.356347	73.73%

Source: Avenu Insights & Analytics

2016 is the city's first CAFR statistical section publication, therefore prior year data availability is limited.

Prior Year taxable value differs due to a change in source data.

(1.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a factor was extrapolated and applied to current assessed values.

(-) Data Unavailable.

City of Inverness

Taxable Property by Use Code, City-Wide Last Three Fiscal Years

Category	2016	2017	2018
Residential	163,764,815	172,814,507	192,698,424
Commercial	161,017,089	158,954,754	154,282,585
Miscellaneous	88,899,951	95,485,114	77,365,183
Industrial	3,799,020	4,286,803	4,335,532
Agriculture	1,622,737	2,310,518	2,281,149
Taxable Value of Real Property	419,103,612	433,851,696	430,962,873
Tangible Personal Property	58,371,861	58,520,031	56,695,626
Total School Taxable Value	477,475,473	492,371,727	487,658,499

Source: Citrus County Assessor data, Avenu Insights & Analytics
2016 is the city's first CAFR publication, therefore prior year data availability is limited.

City of Inverness

Direct and Overlapping Property Tax Rates Last Six Fiscal Years

Fiscal Year End	City of Inverness	Citrus County					Total
		Citrus County	School Board	Hospital Board	Mosquito Control	SWFWMD General	
2009	5.3902	-	-	-	-	-	-
2010	5.9810	-	-	-	-	-	-
2011	6.2158	-	-	-	-	-	-
2012	6.4923	-	-	-	-	-	-
2013	6.4955	8.8999	7.3130	0.2450	0.3452	0.3818	23.6804
2014	6.9949	8.8999	7.3040	1.2500	0.4478	0.3658	25.2624
2015	7.0729	7.7887	7.1890	0.0000	0.4478	0.3488	15.6582
2016	7.5729	7.6652	6.9250	0.0000	0.4478	0.3317	22.9426
2017	8.0729	7.4407	6.5810	0.0000	0.4478	0.3131	22.8555
2018	8.2729	7.3561	6.3380	0.0000	0.4478	0.2955	22.7103

Source: Citrus County Tax Collector , Avenu Insights & Analytics

2016 is the city's first CAFR publication, therefore prior year data availability is limited.

(-) Data unavailable.

City of Inverness

Principal Property Tax Payers Current and Two Fiscal Years Ago

Taxpayer	2018		2016	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Citrus County Hospital Board	61,820,174	12.68%	88,976,473	18.63%
Citrus Memorial Hospital Inc-26670	16,117,333	3.31%		
Duke Energy Florida Inc	14,486,318	2.97%	12,321,077	2.58%
95 FLRPT LLC	7,608,940	1.56%	6,609,630	1.38%
Sembler Gregory S	6,009,940	1.23%	6,017,110	1.26%
Wyld Palms Holdings LLC	5,006,090	1.03%	4,804,180	1.01%
701 Medical Court East LLC	4,639,920	0.95%	4,525,990	0.95%
Sumter Electric Cooperative Inc.	4,321,969	0.89%	4,891,841	1.02%
Brannen Bank	3,820,172	0.78%	3,860,874	0.81%
FL Arbor Trail Holdings LLC	3,601,918	0.74%	3,363,620	0.70%
Signet Investments	3,470,390	0.71%	3,819,160	0.80%
Inverness Regional LLC	3,000,000	0.62%		
Centurylink	2,996,647	0.61%	4,887,645	1.02%
White Cap Of Florida Inc	2,736,910	0.56%	2,607,110	0.55%
Citrus Plaza Commons LLC	2,614,200	0.54%	2,611,050	0.55%
JT Inverness Club LLC	2,529,550	0.52%		
Rosenberg H Peter Trustee	2,324,370	0.48%	2,309,600	0.48%
AEM Anfang LLC	2,241,310	0.46%	2,141,390	0.45%
Highland Terrace Aid Propco	2,223,565	0.46%	2,292,432	0.48%
GRE Inverness Inc	2,070,449	0.42%		
Airport Bayway Inc	2,029,830	0.42%		
Inverness Medical Imaging LLC	1,982,230	0.41%		
Publix Super Market #1448	1,805,319	0.37%	2,443,013	0.51%
Nolette Joseph H	1,760,880	0.36%		
Bobchad Holdings Inc	1,710,920	0.35%		
Wells Fargo Bank			7,307,029	1.53%
First Baptist Church Of Inverness			5,141,205	1.08%
Lynch Robert N As Bishop Of			4,157,820	0.87%
Cornerstone Baptist Church			3,541,647	0.74%
Inverness Church Of God Inc			2,992,032	0.63%
First Presbyterian Church Of Inverness			2,962,575	0.62%
RKM Crystal LLC			2,245,830	0.47%
First Christian Church Of Inverness			2,060,298	0.43%
Total Top 25 Taxpayers	162,929,344	33.41%	188,890,631	39.56%
Total Taxable Value	487,658,499	100.00%	477,475,473	100.00%

Source: Citrus County Assessor data, Avenu Insights & Analytics
2016 is the city's first CAFR publication, therefore prior year data availability is limited.

City of Inverness

Demographic and Economic Statistics Last Three Fiscal Years

Fiscal Year	Population (1)	Personal	Per Capita	Median Age (2)	Public School	County	City	County
		Income	Personal Income (1)		Enrollment (3)	Unemployment Rate (%) (4)	Unemployment Rate (%) (4)	Population (1)
2016	7,233	136,667,535	18,895	51.0	14,881	6.9%	6.9%	141,058
2017	7,347	142,496,314	19,395	55.0	14,991	6.0%	6.0%	143,621
2018	7,304	150,673,778	20,629	55.1	15,083	4.7%	4.7%	145,647

Source: Avenu Insights & Analytics, U.S. Census Bureau, 2010-2017 American Community Survey.

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

- 1.) Data is provided by the U.S. Census Bureau, 2010 American Community Survey.
- 2.) Median Age reflects the U.S. Census data estimation table.
- 3.) Student Enrollment reflects the total number of students enrolled in Citrus County School District.
- 4.) Unemployment rates data from www.homefacts.com.

City of Inverness

Principal Employers Current and Two Years Ago

Business Name	2018		2016	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Citrus County School District	2,181	35.60%	2,234	38.52%
Citrus County	1,279	20.87%	1,416	24.41%
Citrus Memorial Health System	834	13.61%	878	15.14%
Arbor Trail Rehab & Nursing	207	3.38%	130	2.24%
Lowe's Home Improvement*	202	3.30%	185	3.19%
Publix Super Market	180	2.94%	170	2.93%
Winn-Dixie - 2 locations	154	2.51%	184	3.17%
Citrus Health & Rehabilitation*	143	2.33%	130	2.24%
Brannen Bank	106	1.73%	110	1.90%
Inverness Primary	90	1.47%		
Walmart Supercenter			388	6.69%
Total Top 10 Employers	5,376	87.74%	5,825	100.43%
Total City Labor Force (1)	6,127		5,800	

Source: Avenu Insights & Analytics

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

Results based on direct correspondence with city's local businesses.

* Includes FT & PT employees.

1.) Labor Force data is provided by the U.S. Census Bureau, 2010 American Community Survey.

Walmart Supercenter has chosen not to participate in 2016

City of Inverness CRA Tax Increment Fund History
1990 TIF (Downtown Area)

Year	Valuation	Base Year Value	Increment	City Portion	County Portion	Total
1991	\$ 5,324,181.00	\$ 5,122,648.00	\$ 200,533.00	\$ 1,511.82	\$ 1,765.29	\$ 3,277.11
1992	\$ 5,298,100.00	\$ 5,123,648.00	\$ 174,452.00	\$ 1,315.19	\$ 1,533.08	\$ 2,848.27
1993	\$ 5,039,100.00	\$ 4,989,361.00	\$ 49,739.00	\$ 374.98	\$ 436.31	\$ 811.29
1994	\$ 5,714,600.00	\$ 4,943,361.00	\$ 771,239.00	\$ 5,367.15	\$ 6,260.73	\$ 11,627.88
1995	\$ 5,777,770.00	\$ 4,943,361.00	\$ 834,339.00	\$ 5,409.96	\$ 6,387.74	\$ 11,797.70
1996	\$ 5,751,900.00	\$ 4,943,361.00	\$ 808,539.00	\$ 5,234.99	\$ 6,188.68	\$ 11,423.67
1997	\$ 5,891,800.00	\$ 4,943,361.00	\$ 948,439.00	\$ 6,006.09	\$ 7,829.84	\$ 13,835.93
1998	\$ 6,008,100.00	\$ 4,943,361.00	\$ 1,064,739.00	\$ 6,527.32	\$ 8,728.25	\$ 15,255.57
1999	\$ 5,955,600.00	\$ 4,943,361.00	\$ 1,012,239.00	\$ 6,146.53	\$ 8,226.72	\$ 14,373.25
2000	\$ 6,868,600.00	\$ 4,943,361.00	\$ 1,925,239.00	\$ 11,460.19	\$ 15,647.45	\$ 27,107.64
2001	\$ 7,995,800.00	\$ 4,943,361.00	\$ 3,052,439.00	\$ 17,438.62	\$ 24,808.80	\$ 42,247.42
2002	\$ 8,849,100.00	\$ 4,943,361.00	\$ 3,905,739.00	\$ 20,437.54	\$ 31,744.03	\$ 52,181.57
2003	\$ 8,849,100.00	\$ 4,943,361.00	\$ 3,905,739.00	\$ 20,437.54	\$ 31,744.03	\$ 52,181.57
2004	\$ 9,565,400.00	\$ 4,943,361.00	\$ 4,622,039.00	\$ 24,185.72	\$ 37,565.78	\$ 61,751.50
2005	\$ 11,202,400.00	\$ 4,943,361.00	\$ 6,259,039.00	\$ 31,930.49	\$ 48,430.88	\$ 80,361.37
2006	\$ 14,221,100.00	\$ 4,943,361.00	\$ 9,277,739.00	\$ 42,967.53	\$ 62,974.97	\$ 105,942.50
2007	\$ 16,361,400.00	\$ 4,943,361.00	\$ 11,418,039.00	\$ 48,280.61	\$ 72,133.46	\$ 120,414.07
2008	\$ 16,814,728.00	\$ 4,943,361.00	\$ 11,871,367.00	\$ 56,028.10	\$ 73,268.47	\$ 129,296.57
2009	\$ 16,052,697.00	\$ 4,943,361.00	\$ 11,109,336.00	\$ 56,887.46	\$ 68,565.32	\$ 125,452.78
2010	\$ 15,336,107.00	\$ 4,943,361.00	\$ 10,392,746.00	\$ 59,051.06	\$ 64,142.63	\$ 123,193.69
2011	\$ 14,867,375.00	\$ 4,943,361.00	\$ 9,924,014.00	\$ 58,602.34	\$ 64,187.38	\$ 122,789.72
2012	\$ 14,524,178.00	\$ 4,943,361.00	\$ 9,580,817.00	\$ 59,091.46	\$ 64,652.65	\$ 123,744.11
2013	\$ 15,002,795.00	\$ 4,943,361.00	\$ 10,059,434.00	\$ 62,074.00	\$ 74,875.84	\$ 136,949.84
2014	\$ 14,568,536.00	\$ 4,943,361.00	\$ 9,625,175.00	\$ 63,960.78	\$ 80,570.70	\$ 144,531.48
2015	\$ 16,034,247.00	\$ 4,989,361.00	\$ 11,044,886.00	\$ 74,213.41	\$ 81,724.03	\$ 155,937.44
2016	\$ 16,219,079.00	\$ 4,989,361.00	\$ 11,229,718.00	\$ 80,789.45	\$ 81,774.14	\$ 162,563.59
2017	\$ 16,777,871.00	\$ 4,989,361.00	\$ 11,788,510.00	\$ 86,351.00	\$ 83,329.03	\$ 169,680.03
2018	\$ 16,777,871.00	\$ 4,989,361.00	\$ 11,788,510.00	\$ 90,409.09	\$ 83,329.03	\$ 173,738.12

2014 Expanded CRA

Year	Valuation	Base Year Value	Increment	City Portion	County Portion	Total
2015	\$ 174,807,213.00	\$ 105,458,084.00	\$ 69,349,129.00	\$ 465,974.48	\$ 465,974.48	\$ 931,948.96
2016	\$ 178,158,181.00	\$ 105,458,084.00	\$ 72,700,097.00	\$ 488,490.48	\$ 488,490.48	\$ 976,980.96
2017	\$ 174,986,795.00	\$ 105,458,084.00	\$ 69,528,711.00	\$ 533,233.41	\$ 491,475.17	\$ 1,024,708.58
2018	\$ 174,986,795.00	\$ 105,458,084.00	\$ 69,528,711.00	\$ 533,233.41	\$ 491,475.17	\$ 1,024,708.58

OTHER REPORTS

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

The Honorable Mayor and City Council
City of Inverness, Florida

We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 29, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *City of Inverness'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 result of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McDiarmid Davis & Company, LLC

Orlando, Florida
May 29, 2019

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Inverness, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Inverness, Florida*, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 29, 2019.

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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 29, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition

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 the *City of Inverness, Florida* has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *City of Inverness, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the *City of Inverness, 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, Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McDiernit Davis & Company, LLC

Orlando, Florida
May 29, 2019

ML 18-1 - Investment Policy

Finding

During our audit, we noted that the required continuing education courses were not properly taken and documented.

Criteria

The City has established an investment policy requiring continuing education pursuant to Florida Statutes 218.415.

Cause

Due to turnover at the Finance Director position and time limitations, the courses were not taken during the fiscal year ended September 30, 2018.

Effect

City is not in compliance with Florida Statutes 218.415 related to the investment of public funds.

Recommendation

We recommend that the City ensure that the required personnel are authorized to completed the required training per the City's investment policy and Florida Statutes.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Council
City of Inverness, Florida

We have examined City of Inverness' (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, City of Inverness complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018, except for the noncompliance disclosed in Appendix A on page 73.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
May 29, 2019



City of Inverness

Finance Department
212 W. Main Street
Inverness, Florida 34450-4801
finance@inverness-fl.gov

(352) 726-5016

Fax (352) 726-5534

May 31, 2019

Auditor General
State of Florida
401 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Re: City of Inverness - FYE September 30, 2018

Dear Auditor General,

The management comments related to fiscal year ending September 30, 2018 were received by both the City Manager and the Finance Director.

ML 18-1 Investment Policy
Required personnel will complete annual investment seminar training this year.

A handwritten signature in cursive script, appearing to read "Frank DiGiovanni".

City Manager Frank DiGiovanni

A handwritten signature in cursive script, appearing to read "Richard A. LaCondre".

Finance Director Richard A. LaCondre