

# **CITY OF SEBRING, FLORIDA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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# CITY OF SEBRING, FLORIDA

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Sebring, Florida's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida as of September 30, 2018, and the respective changes in financial position, cash flows of its proprietary funds, and the respective budgetary comparison for the General Fund and the Infrastructure Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in Note 15 to the financial statements, in 2018, the City adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to that matter.

***Emphasis of Matter***

As described in Note 15 to the financial statements, the City restated its beginning net capital assets and net position for an error in how it accounted for its capital assets. Our opinion is not modified with respect to that matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information for pension plans and other postemployment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

Honorable Mayor and Members of the City Council (continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the City of Sebring, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sebring, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sebring, Florida's internal control over financial reporting and compliance.

Wicks, Brown, Williams & Co. CPAs LLP  
Wicks, Brown, Williams & Co., CPA's LLP  
Sebring, Florida

May 20, 2019



**CITY OF SEBRING, FLORIDA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018  
(Unaudited)

The City of Sebring's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

**FINANCIAL HIGHLIGHTS**

- At the close of fiscal year 2018, the City of Sebring's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$54,981,003 (total net position). Of this amount, \$41,092,395 represents the City's net investment in capital assets, \$2,948,937 is restricted by laws or capital projects and the remaining \$10,939,671 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$424,696 from its current year activity. Governmental activities decreased \$50,565 and Business-type activities increased \$475,261.
- The City's total assets decreased \$2,578,687 (3.19%) during the current fiscal year, due to the net effect of decreases in cash and capital assets that was offset by an increase in receivables, due from other governments and restricted cash and cash equivalents.
- The City's total liabilities decreased \$2,997,892 (9.53%) during the current fiscal year. The governmental activities total liabilities decreased \$1,085,318. The decrease was a net result of accounts payable increasing \$827,503, net pension liability increasing \$758,391, long-term liabilities due within one year decreasing \$369,347 and other long-term liabilities decreasing \$2,098,282. Business-type activities total liabilities decreased \$1,912,574, which was primarily comprised of a \$2,277,836 decrease attributed to debt service payments that was offset by an increase in accounts payable of \$144,295 and an increase in net pension liabilities of \$142,948.
- The City's governmental activities reported a total net position of \$21,875,067, which is a decrease of \$547,068, or 2.44%, in comparison to the prior year. Approximately 26% of the total, or \$5,717,414, is unrestricted and available for spending at the City's discretion.
- The City's business-type activities reported a total net position of \$33,105,936, which is an increase of \$407,618, or 1.25%, in comparison to the prior year. Approximately 16% of the total, or \$5,222,257, is unrestricted and available for spending at the City's discretion.
- As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$12,629,302, a decrease of \$1,611,302 (11.32%) from the prior year. The General Fund reported Fund Balance of \$9,795,182, of which \$42,383 was restricted for law enforcement purposes, \$1,016,111 was assigned for cemetery care, and \$1,669,721 was assigned to support the subsequent year's budget. The remaining \$7,066,967 in unassigned fund balance was available for spending at the City's discretion.

**CITY OF SEBRING, FLORIDA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018  
(Unaudited)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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 funds) 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 Sebring's 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.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on "activities," rather than (the previous model's) "fund types." All information is presented utilizing the economic resource measurement focus and the accrual basis of accounting. This method matches revenues and expenses to the period in which the revenue is earned and the expense incurred.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The unrestricted portion of net position is designed to be similar to bottom line results for private sector companies. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long term obligations.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Each of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety (law enforcement, fire control, and building, zoning and planning), physical environment, transportation, economic environment, and culture and recreation. The statement of net position for governmental activities also includes the assets, liabilities, and net position of the internal service funds. The business-type activities of the City consist of a water and wastewater system operation, a solid waste collection operation, and a golf course.

Component units are other governmental units over which the City (the City Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy. The Community Redevelopment Agency is reported as a component unit in the government-wide financial statements.

The government-wide financial statements can be found on pages 16-18 of this report.

**CITY OF SEBRING, FLORIDA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018  
(Unaudited)

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, 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 can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements presentation most familiar.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City'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 City'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 maintains two individual governmental funds. Information is presented separately in the governmental funds *Balance Sheet* and in the governmental funds *Statement of Revenues, Expenditures and Changes in Fund Balances* for the General Fund and Infrastructure Fund, both of which are considered major funds.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements are required only for the general fund and major special revenue funds. Budgetary comparison statements have been provided for the General Fund and Infrastructure Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

**Proprietary Funds:** The City has two proprietary fund types, enterprise funds and internal service funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater Fund, Solid Waste Fund and Golf Course Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City utilizes internal service funds to account for its self-insured health plan and property and casualty risk management insurance plan.

Fees and charges are the primary revenue sources for the proprietary funds.

**CITY OF SEBRING, FLORIDA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018  
(Unaudited)

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 25-28 of this report.

***Fiduciary Funds:*** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for pension trust fund types and private purpose trust fund types is much like that used for proprietary funds. Individual fund data for the pension trust funds is provided in Note 12 to the Notes to the Financial Statements.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

***Notes to the Financial Statements:*** The notes provide additional information that is essential to acquire 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 31-78 of this report.

***Infrastructure Assets:*** Historically, the City's largest group of assets (infrastructure – roads, parking lots, sidewalks, street lights, storm water drains, and retention ponds etc.) have not been reported nor depreciated in governmental financial statements. GASB Statement No. 34 requires that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The City has elected to depreciate its infrastructure assets.

## **GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS**

### **Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$54,981,003.

The following table reflects a condensed Statement of Net Position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position on page 16.

**CITY OF SEBRING, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2018**  
(Unaudited)

<b>Statement of Net Position (Summary)</b>						
<b>as of September 30, 2018 and 2017</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 15,235,962	\$ 16,240,759	\$ 9,747,694	\$ 11,094,914	\$ 24,983,656	\$ 27,335,673
Capital assets, net	13,337,984	13,549,764	40,022,431	40,037,321	53,360,415	53,587,085
Total assets	28,573,946	29,790,523	49,770,125	51,132,235	78,344,071	80,922,758
Deferred outflows of resources	4,712,809	4,854,971	1,604,135	1,588,927	6,316,944	6,443,898
Long-term liabilities	9,192,306	10,901,544	14,855,414	16,939,329	24,047,720	27,840,873
Current and other liabilities	1,547,672	923,752	2,863,942	2,692,601	4,411,614	3,616,353
Total liabilities	10,739,978	11,825,296	17,719,356	19,631,930	28,459,334	31,457,226
Deferred inflows of resources	671,710	398,063	548,968	390,914	1,220,678	788,977
Net position:						
Net investment in capital asset:	13,281,150	13,549,764	27,811,245	25,672,503	41,092,395	39,222,267
Restricted	2,876,503	2,461,511	72,434	72,123	2,948,937	2,533,634
Unrestricted	5,717,414	6,410,860	5,222,257	6,953,692	10,939,671	13,364,552
Total net position	<u>\$ 21,875,067</u>	<u>\$ 22,422,135</u>	<u>\$ 33,105,936</u>	<u>\$ 32,698,318</u>	<u>\$ 54,981,003</u>	<u>\$ 55,120,453</u>

By far, the largest portion of the City's net position, \$41,092,395 (75%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate and pay for these liabilities.

An additional portion of the City's net position in the amount of \$2,948,937 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,939,671 (20%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2018, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Current and other assets decreased by \$2,352,017 which was due primarily from a decrease in cash and cash equivalents of \$2,858,138, increase in receivables of \$421,789, increase in due from other governments of \$93,469, and an increase in restricted cash and cash equivalents of \$70,280.

**CITY OF SEBRING, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2018**  
(Unaudited)

Overall, total net position decreased \$139,450 and net investment in capital assets increased \$1,870,128, restricted for law enforcement, debt service reserve and infrastructure increased \$415,303 and unrestricted decreased \$2,424,881. Notably, the City added over \$1.2 million in infrastructure through the installation of water and sewer lines during the fiscal year.

**Statement of Activities**

The following table reflects a condensed Statement of Activities for the current year as compared to the prior year. For more detailed information, see the Statement of Activities on pages 17-18.

<b>Changes in Net Position (Summary)</b>						
<b>For the Years Ended September 30, 2018 and 2017</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 1,194,895	\$ 1,084,956	\$ 12,089,752	\$ 12,303,259	\$ 13,284,647	\$ 13,388,215
Operating grants and contributions	216,347	213,329	29,800	-	246,147	213,329
Capital grants and contributions	26,940	14,160	196,214	171,918	223,154	186,078
General revenues						
Property taxes	2,974,984	2,629,059	-	-	2,974,984	2,629,059
Other taxes	3,484,334	3,384,570	-	-	3,484,334	3,384,570
Other	2,604,042	2,111,905	583,283	97,595	3,187,325	2,209,500
Total revenues	10,501,542	9,437,979	12,899,049	12,572,772	23,400,591	22,010,751
<b>Expenses:</b>						
General government	1,155,445	1,299,617	-	-	1,155,445	1,299,617
Public safety	8,099,628	7,229,032	-	-	8,099,628	7,229,032
Physical environment	83,405	56,036	-	-	83,405	56,036
Transportation	1,732,033	1,515,768	-	-	1,732,033	1,515,768
Economic environment	319,546	467,573	-	-	319,546	467,573
Culture/recreation	652,076	642,314	-	-	652,076	642,314
Interest on long-term debt	1,763	37,085	-	-	1,763	37,085
Water	-	-	4,678,659	4,916,631	4,678,659	4,916,631
Wastewater	-	-	3,590,249	3,342,411	3,590,249	3,342,411
Solid Waste	-	-	1,783,599	1,641,100	1,783,599	1,641,100
Golf Course	-	-	908,858	901,403	908,858	901,403
Total expenses	12,043,896	11,247,425	10,961,365	10,801,545	23,005,261	22,048,970
Change in Net Position before Transfers	(1,542,354)	(1,809,446)	1,937,684	1,771,227	395,330	(38,219)
Transfers	1,491,789	1,358,953	(1,462,423)	(1,363,953)	29,366	(5,000)
Change in Net Position after Transfers	(50,565)	(450,493)	475,261	407,274	424,696	(43,219)
Net position - beginning	22,422,135	22,922,035	32,698,318	32,711,450	55,120,453	55,633,485
Prior period adjustment	(496,503)	(49,407)	(67,643)	(420,406)	(564,146)	(469,813)
Net position - ending	\$ 21,875,067	\$ 22,422,135	\$ 33,105,936	\$ 32,698,318	\$ 54,981,003	\$ 55,120,453

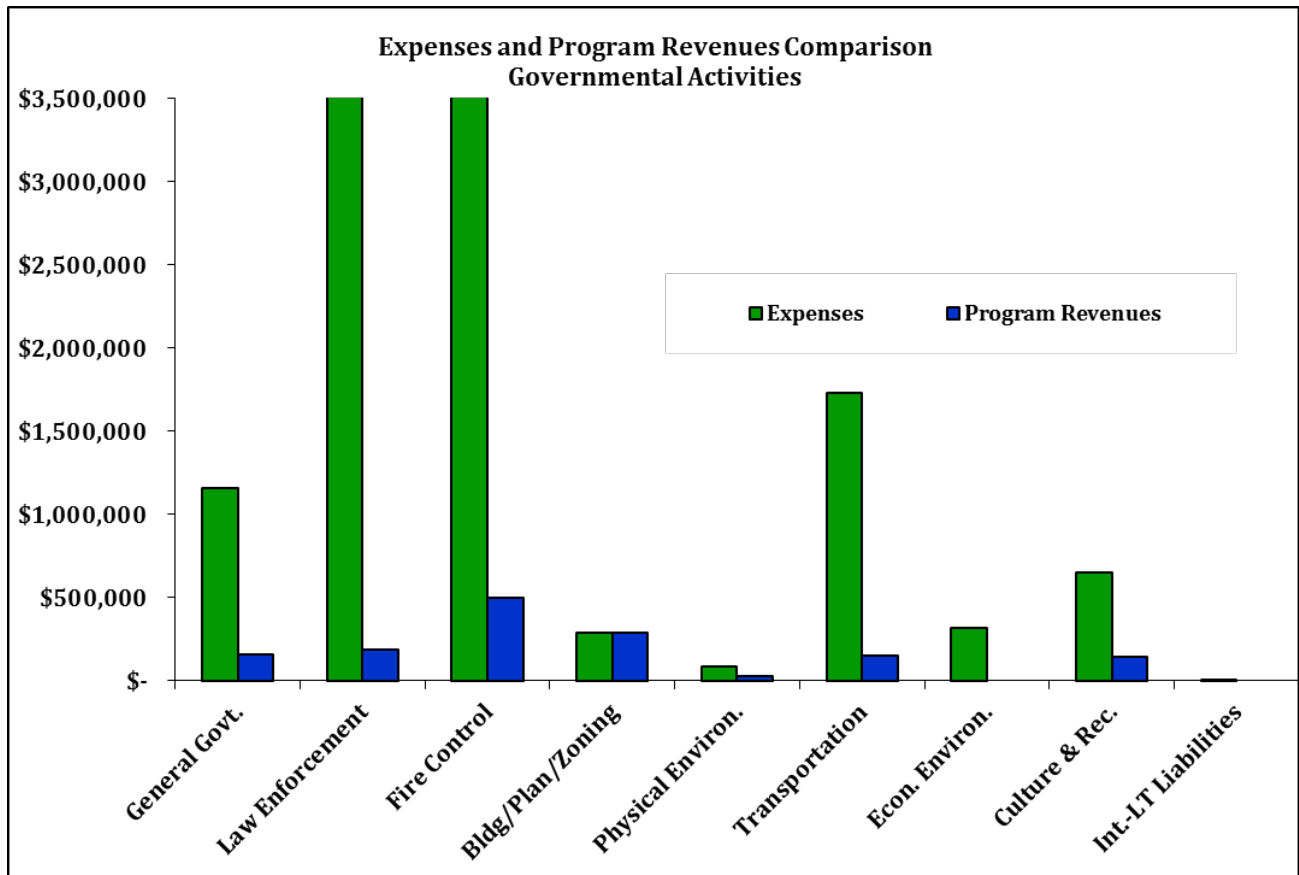
**Governmental Activities**

Total program revenues increased \$125,737 to \$1,438,182 from \$1,312,445 in the prior year. The most significant revenue in program services is from charges for services of \$1,194,895, then operating grants and contributions of \$216,347 and capital grants and contributions of \$26,940. Charges for services include \$124,722 in general government and \$966,057 in public safety charges. The primary reason for the increase in program revenues was due to an increase in charges for services. General revenues increased \$937,826 to \$9,063,360 from \$8,125,534 in the prior year. The primary reason for the increase in general revenues was from gains from insurance recoveries of \$492,077, in addition to other increases in ad-valorem taxes, infrastructure surtax, intergovernmental one-half cent sales tax, and investment earnings.

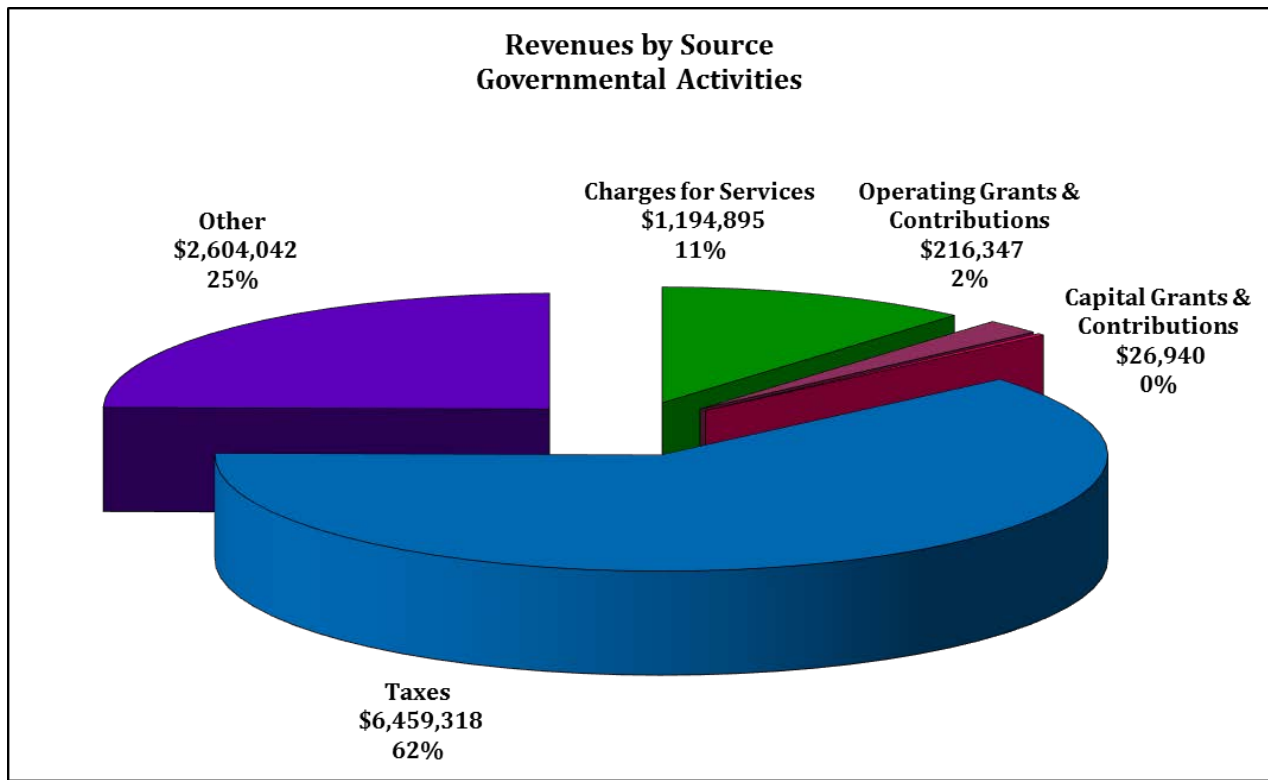
**CITY OF SEBRING, FLORIDA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018  
(Unaudited)

Governmental activities expenses increased \$796,471 to \$12,043,896 from \$11,247,425 in the prior year. The most significant governmental activity expense is public safety which includes law enforcement \$3,886,275, fire control \$3,924,185, and building, zoning and planning \$289,168. The overall increase is primarily due to an increase in pension expense from the fire pension plan.

Overall, governmental activities decreased the City's net position by \$50,565.



**CITY OF SEBRING, FLORIDA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018  
(Unaudited)



***Business-Type Activities***

Total program revenues of the City's business-type activities were \$12,315,766, a decrease of \$159,411 or 1.28% from the prior year. The decrease is primarily due to a decrease in water charges for services of \$190,155. Total expenses were \$10,961,365, an increase of \$159,820 or 1.48% from the prior year.

The Water & Wastewater Fund reflected an operating income of \$1,811,875, which was a decrease from the prior year of \$273,864. After including non-operating revenues and expenses and transfers in/out, the change in net position was \$129,211.

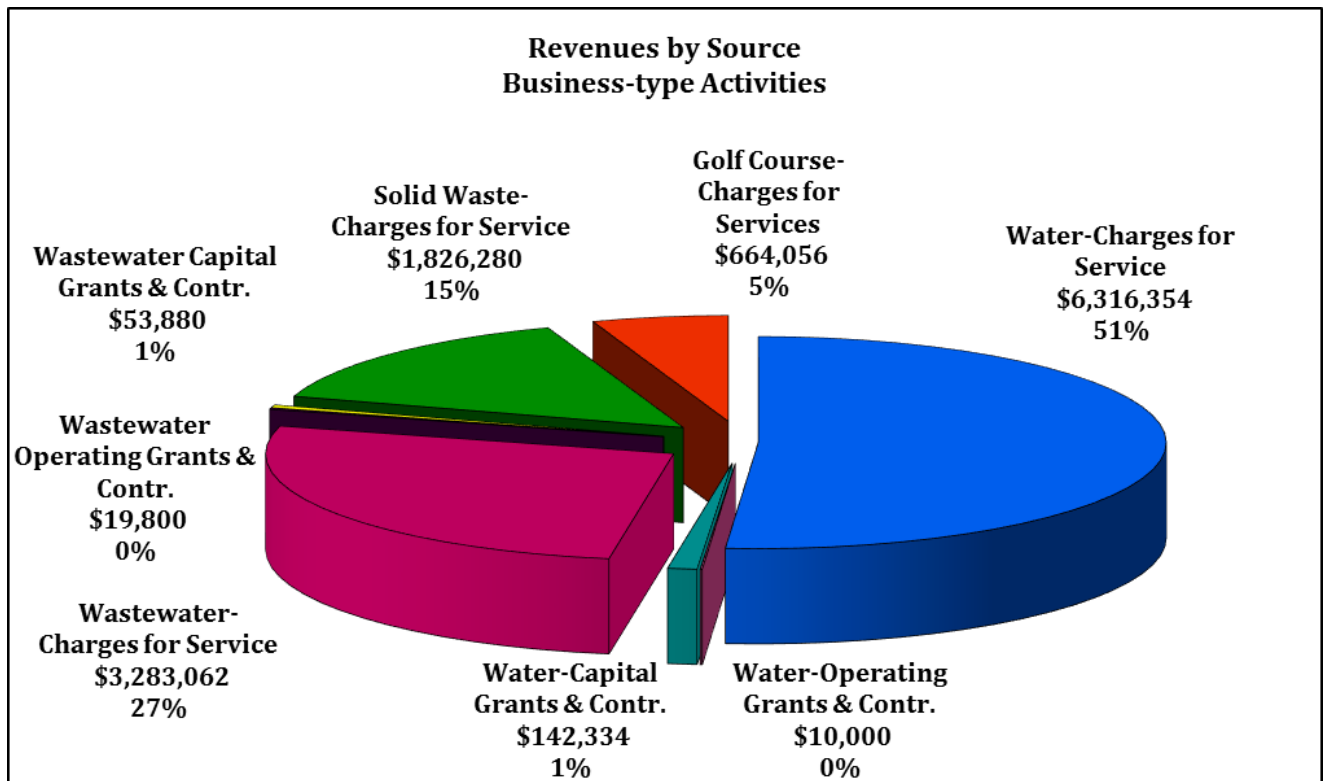
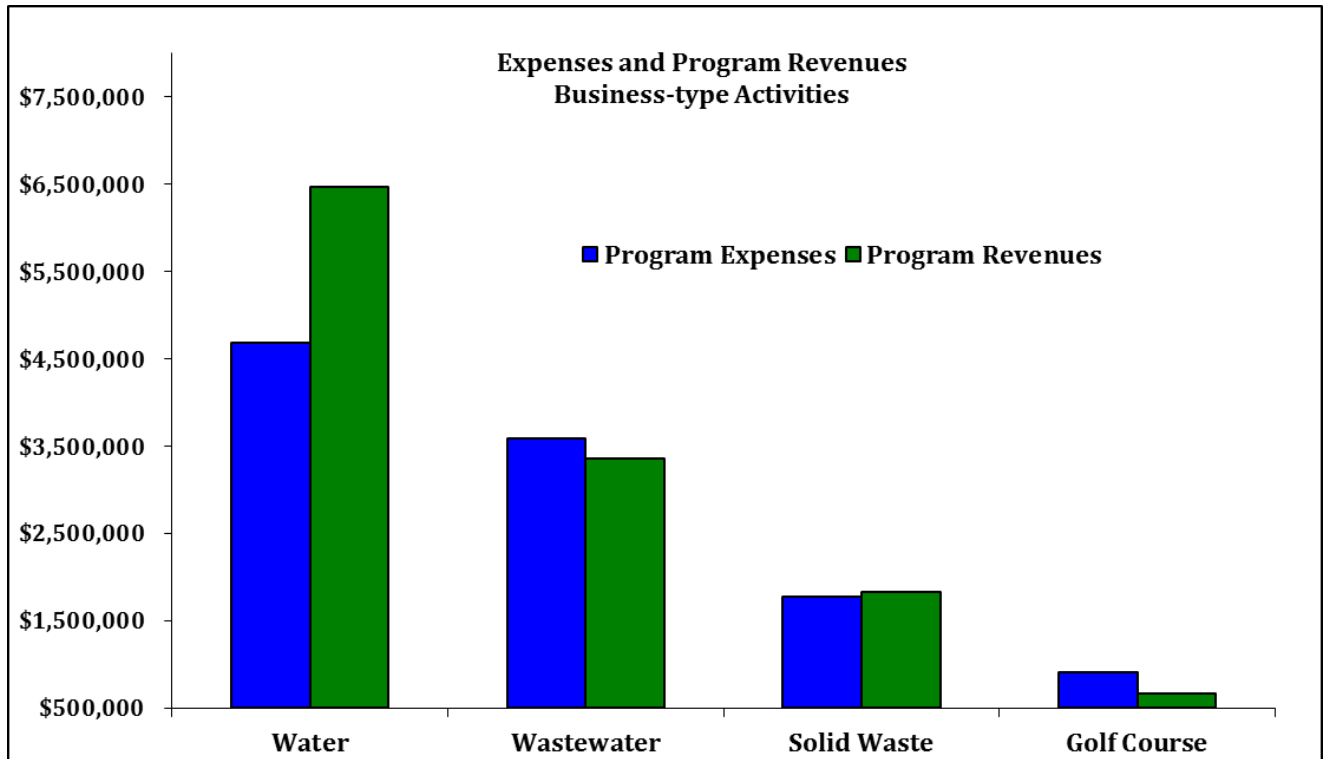
The Solid Waste Fund reflected an operating income of \$39,620 which was a decrease from the prior year of \$106,248. After including non-operating items, the solid waste operation reflected a total decrease in net position of \$87,395.

The Golf Course Fund reflected an operating loss of \$242,964, which was an increase from the prior year of \$53,085. After including other non-operating items and transfers in, the golf course operation reflected a total increase in net position of \$418,526.

Overall, business-type activities increased the City's net position by \$475,261, which was an increase of \$67,987 when compared to the prior year. The increase was primarily a result of a gain from insurance recoveries of \$451,982 in the Golf Course Fund and an increase in investment earnings of \$38,555.



**CITY OF SEBRING, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 SEPTEMBER 30, 2018  
 (Unaudited)



**CITY OF SEBRING, FLORIDA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018  
(Unaudited)

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds:** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 \$12,629,302, a decrease of \$1,611,302 in comparison with the prior year. Approximately fifty-six percent (56%) of this total amount, \$7,066,967, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$5,562,335, is nonspendable, restricted or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At September 30, 2018, the unassigned fund balance of the General Fund was \$7,066,967, while the total fund balance was \$9,795,182. 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 sixty-nine (69%) of total General Fund expenditures, excluding the non-reoccurring payoff of the \$2.56 million loan payable, while total fund balance represents ninety-six percent (96%) of that same amount.

**Proprietary Funds:** The City's proprietary (enterprise) funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total enterprise fund's net investment in capital assets increased \$2,138,742 and is primarily due to an increase in the Water and Wastewater Fund of \$2,257,660. This increase was primarily from the City's purchase of vehicles and water and sewer line connections, extensions and improvements.

The total enterprise fund's unrestricted net position, however, decreased \$1,746,354 while the change in net position increased \$460,342. This most significant element contributing to this decrease was the City's use of cash instead of utilizing debt to acquire utility systems and purchase equipment.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The change between the original and final budgetary appropriations for expenditures amounted to an increase of \$669,534. The change was primarily due to appropriating funds for hurricane related damages of \$428,400, new police and fire equipment of \$65,034, and encumbrances rolled forward from the prior year of \$120,912.

Revenue budget to actual in the General fund resulted in a \$993,176 positive variance, primarily due to a conservative approach for budgeting tax revenues.

Budget to actual expenditures show a \$541,477 positive variance (actual less than budget). This decrease was uniform through all departments, and reflects the continuation of a cost containment effort throughout the City.

**CITY OF SEBRING, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2018**  
(Unaudited)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$53,360,415 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment, water system and sewer system.

Major capital projects completed during the current fiscal year include the following:

- Waterline Extensions
- Sewer Line Improvements and Extensions
- Vehicles - Police Department, Building, Public Works, and Utilities
- Fire Equipment
- Building Improvements – Boys & Girls Club, Girl Scout Cabin, Highlands Art League, Military Sea Services Museum, Caddy Shack Restaurant, and Golf Cart Barns
- Golf Course Equipment
- Generators
- Paving, Curbing and Drainage Projects
- Lift Station Improvements
- Manhole restoration

City of Sebring's Capital Assets (net of depreciation) as of September 30, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,639,341	\$ 1,639,341	\$ 577,877	\$ 595,877	\$ 2,217,218	\$ 2,235,218
Buildings	2,485,781	2,438,598	679,060	656,018	3,164,841	3,094,616
Improvements other than bldg	2,191,992	2,296,659	-	-	2,191,992	2,296,659
Infrastructure	5,646,131	3,560,327	-	-	5,646,131	3,560,327
Equipment	1,348,841	3,614,839	3,051,110	3,005,954	4,399,951	6,620,793
Golf course improvements	-	-	167,804	196,357	167,804	196,357
Water system	-	-	20,350,718	20,789,103	20,350,718	20,789,103
Waste water system	-	-	14,425,097	14,637,759	14,425,097	14,637,759
Construction in progress	25,898	-	770,765	156,253	796,663	156,253
Total capital assets	<u>\$ 13,337,984</u>	<u>\$ 13,549,764</u>	<u>\$ 40,022,431</u>	<u>\$ 40,037,321</u>	<u>\$ 53,360,415</u>	<u>\$ 53,587,085</u>

Additional information on the City's capital assets and construction commitments can be found on pages 46-47 of the Notes to the Financial Statements in this report.

**Long-Term Liabilities:** At the end of the current fiscal year, the City had total long-term liabilities of \$24,047,720, which represents a decrease of \$3,793,153 compared to the prior year. This decrease is primarily due to City principal debt service payments on loans payable, a capital lease obligation, and a refunding note payable of \$4,836,806 and is offset by an increase of \$901,339 in the City's net pension liabilities to pension plans.

**CITY OF SEBRING, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2018**  
(Unaudited)

**CITY OF SEBRING'S LONG-TERM LIABILITIES**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Compensated Absences	\$ 302,066	\$ 341,413	\$ 113,156	\$ 114,358	\$ 415,222	\$ 455,771
Loan Payable	-	2,565,000	1,069,402	1,191,959	1,069,402	3,756,959
Due to Highlands County	-	-	-	-	-	-
Other Post-Employment Benefits	709,439	572,721	171,225	125,080	880,664	697,801
Capital Lease Obligations	-	-	560,650	770,154	560,650	770,154
Refunding Note Payable	-	-	10,337,300	12,277,045	10,337,300	12,277,045
Landfill Closure	-	-	380,000	380,000	380,000	380,000
Net Pension Liabilities	8,180,801	7,422,410	2,223,681	2,080,733	10,404,482	9,503,143
	<u>\$ 9,192,306</u>	<u>\$ 10,901,544</u>	<u>\$ 14,855,414</u>	<u>\$ 16,939,329</u>	<u>\$ 24,047,720</u>	<u>\$ 27,840,873</u>

Additional information on the City's long-term debt can be found on pages 48-51 of the Notes to the Financial Statement in this report.

**Next Year's Budgets:**

In the 2019 fiscal year, the City has budgeted two transfers in for the General Fund one of \$200,000 from the Solid Waste Fund and the other is \$1,000,000 from the Water and Wastewater Fund. These transfers allow the City's General Fund to share in the profits of its Solid Waste Fund and Water and Wastewater Fund. In addition, the City's General Fund has budgeted a transfer out of \$121,597 to the Golf Course Fund for the purpose of providing needed working capital for operations that are not covered by budgeted revenues.

**Requests for Information:**

This financial report is designed to provide a general overview of the City of Sebring's finances for all those with an interest in the City'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, City of Sebring, 368 S. Commerce Ave., Sebring, FL 33870.

# CITY OF SEBRING, FLORIDA

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Primary Government			
	Governmenal	Business-type	Total	Component
Assets	Activities	Activities		Unit
Cash and cash equivalents	\$ 14,037,360	\$ 5,953,086	\$ 19,990,446	\$ 1,618,665
Receivables, net	933,466	711,166	1,644,632	-
Internal balances	(14,919)	14,919	-	-
Due from other governments	280,055	41,703	321,758	-
Inventory	-	532,277	532,277	-
Intangible asset	-	437,342	437,342	-
Restricted asset - cash and cash equivalents	-	2,057,201	2,057,201	-
Capital assets:				
Non-depreciable	1,665,239	1,348,642	3,013,881	-
Depreciable, net	11,672,745	38,673,789	50,346,534	-
Total capital assets	13,337,984	40,022,431	53,360,415	-
<b>Total Assets</b>	<b>28,573,946</b>	<b>49,770,125</b>	<b>78,344,071</b>	<b>1,618,665</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	4,712,809	1,298,894	6,011,703	-
Deferred amount on refunding	-	305,241	305,241	-
<b>Total Deferred Outflows of Resources</b>	<b>4,712,809</b>	<b>1,604,135</b>	<b>6,316,944</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	1,282,790	684,074	1,966,864	11,428
Accrued expenses	206,262	92,580	298,842	8,384
Accrued interest payable	-	68,320	68,320	-
Unearned revenues	58,620	36,896	95,516	-
Customer deposits	-	1,982,072	1,982,072	-
Long-term liabilities:				
Net pension liability	8,180,801	2,223,681	10,404,482	-
Due within one year	302,066	2,437,137	2,739,203	-
Due in more than one year	709,439	10,194,596	10,904,035	-
<b>Total Liabilities</b>	<b>10,739,978</b>	<b>17,719,356</b>	<b>28,459,334</b>	<b>19,812</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	671,710	548,968	1,220,678	-
<b>Net Position</b>				
Net investment in capital assets	13,281,150	27,811,245	41,092,395	-
Restricted for:				
Law enforcement	42,383	-	42,383	-
Debt service reserve	-	72,434	72,434	-
Infrastructure	2,834,120	-	2,834,120	-
Unrestricted	5,717,414	5,222,257	10,939,671	1,598,853
<b>Total Net Position</b>	<b>\$ 21,875,067</b>	<b>\$ 33,105,936</b>	<b>\$ 54,981,003</b>	<b>\$ 1,598,853</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Function/Program</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities</b>				
General government	\$ 1,155,445	\$ 124,722	\$ 19,250	\$ 11,750
Public safety				
Law enforcement	3,886,275	182,186	317	-
Fire control	3,924,185	497,597	1,920	-
Building, zoning and planning	289,168	286,274	-	-
Physical environment	83,405	24,752	-	-
Transportation	1,732,033	46,414	84,860	14,690
Economic environment	319,546	-	-	-
Culture and recreation	652,076	32,950	110,000	500
Interest on long-term liabilities	1,763	-	-	-
<b>Total Government Activities</b>	<b>12,043,896</b>	<b>1,194,895</b>	<b>216,347</b>	<b>26,940</b>
<b>Business-type Activities</b>				
Water	4,678,659	6,316,354	10,000	142,334
Wastewater	3,590,249	3,283,062	19,800	53,880
Solid waste	1,783,599	1,826,280	-	-
Golf course	908,858	664,056	-	-
<b>Total Business-type Activities</b>	<b>10,961,365</b>	<b>12,089,752</b>	<b>29,800</b>	<b>196,214</b>
<b>Total Primary Government</b>	<b>\$ 23,005,261</b>	<b>\$ 13,284,647</b>	<b>\$ 246,147</b>	<b>\$ 223,154</b>
<b>Component Unit</b>				
Community Redevelopment Agency	\$ 464,031	\$ -	\$ -	\$ -

**General Revenues:**

Taxes  
    Ad-valorem taxes  
    Tax increment from City/County  
    Fuel taxes  
    Infrastructure surtax  
    Utility and communication services  
    Other taxes  
Franchise fees  
Intergovernmental - unrestricted  
Investment earnings  
Miscellaneous  
Gain from insurance recoveries

**Total General Revenues**

Transfers

**Change in Net Position**

**Net Position, beginning of year  
as previously reported**

Prior Period Adjustment

**Net Position, beginning of year as restated**

**Net Position, end of year**

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes In Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Community Redevelopment Agency
\$ (999,723)	\$ -	\$ (999,723)	\$ -
(3,703,772)	-	(3,703,772)	-
(3,424,668)	-	(3,424,668)	-
(2,894)	-	(2,894)	-
(58,653)	-	(58,653)	-
(1,586,069)	-	(1,586,069)	-
(319,546)	-	(319,546)	-
(508,626)	-	(508,626)	-
(1,763)	-	(1,763)	-
(10,605,714)	-	(10,605,714)	-
-	1,790,029	1,790,029	-
-	(233,507)	(233,507)	-
-	42,681	42,681	-
-	(244,802)	(244,802)	-
-	1,354,401	1,354,401	-
(10,605,714)	1,354,401	(9,251,313)	-
			(464,031)
2,974,984	-	2,974,984	-
-	-	-	833,258
445,828	-	445,828	-
1,146,896	-	1,146,896	-
1,834,125	-	1,834,125	-
57,485	-	57,485	-
948,747	-	948,747	-
903,738	-	903,738	-
234,617	111,173	345,790	32,262
24,863	20,128	44,991	-
492,077	451,982	944,059	-
9,063,360	583,283	9,646,643	865,520
1,491,789	(1,462,423)	29,366	(29,366)
(50,565)	475,261	424,696	372,123
22,422,135	32,698,318	55,120,453	1,226,730
(496,503)	(67,643)	(564,146)	-
21,925,632	32,630,675	54,556,307	1,226,730
\$ 21,875,067	\$ 33,105,936	\$ 54,981,003	\$ 1,598,853

**CITY OF SEBRING, FLORIDA**

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	<b>General Fund</b>	<b>Infrastructure Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,974,826	\$ 2,740,786	\$ 12,715,612
Receivables, net	273,786	-	273,786
Due from other governments	167,126	112,929	280,055
<b>Total Assets</b>	<u>\$ 10,415,738</u>	<u>\$ 2,853,715</u>	<u>\$ 13,269,453</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 378,720	\$ 19,595	\$ 398,315
Accrued expenditures	181,262	-	181,262
Unearned revenues	56,725	-	56,725
<b>Total Liabilities</b>	<u>616,707</u>	<u>19,595</u>	<u>636,302</u>
<b>Deferred Inflows of Resources</b>			
Revenues not yet available	<u>3,849</u>	<u>-</u>	<u>3,849</u>
<b>Fund Balances</b>			
Restricted			
Infrastructure	-	2,834,120	2,834,120
Law enforcement	42,383	-	42,383
Assigned			
Cemetery care	1,016,111	-	1,016,111
Subsequent years budget	1,669,721	-	1,669,721
Unassigned	7,066,967	-	7,066,967
<b>Total Fund Balances</b>	<u>9,795,182</u>	<u>2,834,120</u>	<u>12,629,302</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 10,415,738</u>	<u>\$ 2,853,715</u>	<u>\$ 13,269,453</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF SEBRING, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 12,629,302</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore are not reported in the funds.	
Deferred outflows related to pensions	4,712,809
Deferred inflows related to pensions	(671,710)
Net position of the Internal Service Funds that are included in governmental activities in the statement of net position	1,055,139
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:	
Capital assets, non-depreciable	1,665,239
Capital assets, depreciable - net	11,672,745
Revenues in the statement of activities that are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds	3,849
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(8,180,801)
Due within one year	(302,066)
Due in more than one year	(709,439)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 21,875,067</u></u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>General Fund</b>	<b>Infrastructure Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 5,312,422	\$ 1,146,896	\$ 6,459,318
Permits, fees and special assessments	1,687,967	-	1,687,967
Intergovernmental	1,142,557	-	1,142,557
Charges for services	279,103	-	279,103
Fines and forfeitures	123,330	-	123,330
Investment earnings	185,573	49,044	234,617
Miscellaneous	52,284	-	52,284
<b>Total Revenues</b>	<u>8,783,236</u>	<u>1,195,940</u>	<u>9,979,176</u>
<b>Expenditures</b>			
Current			
General government	855,840	-	855,840
Public safety			
Law enforcement	3,682,926	-	3,682,926
Fire control	2,779,557	-	2,779,557
Building, zoning and planning	277,781	-	277,781
Physical environment	28,361	-	28,361
Transportation	1,103,439	-	1,103,439
Economic environment	319,546	-	319,546
Culture and recreation	517,398	-	517,398
Capital outlay	647,177	782,038	1,429,215
Debt service			
Principal	2,565,000	-	2,565,000
Interest	8,340	-	8,340
<b>Total Expenditures</b>	<u>12,785,365</u>	<u>782,038</u>	<u>13,567,403</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(4,002,129)</u>	<u>413,902</u>	<u>(3,588,227)</u>
<b>Other Financing Sources (Uses)</b>			
Insurance proceeds	492,077	-	492,077
Transfers in	1,679,366	-	1,679,366
Transfers out	(194,518)	-	(194,518)
<b>Total Other Financing     Sources (Uses)</b>	<u>1,976,925</u>	<u>-</u>	<u>1,976,925</u>
<b>Net Change in Fund Balances</b>	(2,025,204)	413,902	(1,611,302)
<b>Fund Balances, beginning of year</b>	<u>11,820,386</u>	<u>2,420,218</u>	<u>14,240,604</u>
<b>Fund Balances, end of year</b>	<u><u>\$ 9,795,182</u></u>	<u><u>\$ 2,834,120</u></u>	<u><u>\$ 12,629,302</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (1,611,302)**

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

Revenues that will not be collected within sixty days after the City's fiscal  
year end are not considered "available" revenues, and are not recognized  
in the governmental funds

Deferred inflows recognized in the current year in the statement of activities 3,849

Unallocated undercharges by Internal Service Funds that have not been recognized  
as expenditures in the governmental funds.

(27,841)

Capital assets donated into governmental activities do not provide a current  
financial resource and are not recognized as revenue in the governmental funds.  
However, these amounts are reported as a revenue on the statement of activities.

33,381

Governmental funds report capital outlay as expenditures. However, in  
the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense. This is the amount  
of assets capitalized in the current period.

1,206,723

Pension contributions are reported as expenditures in the governmental funds when  
made. However, they are reported as deferred outflows of resources in the  
statement of net position because the reported net pension liability is measured  
for the police and fire pension plans and for the FRS and HIS plans, a year and  
three months, respectively, before the City's report date. Pension expense, which  
is the change in net pension liability adjusted for changes in deferred outflows  
and inflows related to pensions is reported in the statement of activities

Net increase in pension expense (1,174,200)

Certain expenses reported in the statement of activities do not  
require the use of current financial resources. Therefore, the  
following expenditures are not recognized in governmental funds.

Depreciation expense (1,127,646)

Remaining net book value of capital assets on disposition (664)

Net decrease in other post-employment benefit obligation 36,211

Net decrease in accrued interest on long-term liabilities 6,577

Net decrease in compensated absences 39,347

Repayment of principal is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the statement of net position

2,565,000

**Change in Net Position of Governmental Activities**

**\$ (50,565)**

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Adjustments</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Basis</u>	<u>Amounts</u>	<u>with</u>
			<u>GAAP Basis</u>		<u>Budget Basis</u>	<u>Final</u>
<b>Revenues</b>						
Taxes	\$ 5,020,145	\$ 5,020,145	\$ 5,312,422	\$ -	\$ 5,312,422	\$ 292,277
Permits, fees, and special assessments	1,360,775	1,360,775	1,687,967	-	1,687,967	327,192
Intergovernmental	1,000,480	1,000,480	1,142,557	-	1,142,557	142,077
Charges for services	217,731	217,731	279,103	-	279,103	61,372
Fines and forfeitures	117,000	117,000	123,330	-	123,330	6,330
Investment earnings	35,000	35,000	185,573	(2,929)	182,644	147,644
Miscellaneous	20,000	36,000	52,284	-	52,284	16,284
<b>Total Revenues</b>	<u>7,771,131</u>	<u>7,787,131</u>	<u>8,783,236</u>	<u>(2,929)</u>	<u>8,780,307</u>	<u>993,176</u>
<b>Expenditures</b>						
Current:						
General government	960,041	884,339	855,840	-	855,840	28,499
Public safety:						
Law enforcement	3,679,741	3,688,296	3,682,926	-	3,682,926	5,370
Fire control	2,832,113	2,870,629	2,779,557	-	2,779,557	91,072
Building, zoning and planning	305,951	313,516	277,781	-	277,781	35,735
Physical environment	45,493	45,093	28,361	-	28,361	16,732
Transportation	1,134,691	1,199,378	1,103,439	-	1,103,439	95,939
Economic environment	319,547	319,547	319,546	-	319,546	1
Culture and recreation	529,908	607,910	517,398	-	517,398	90,512
Capital outlay	276,483	824,794	647,177	-	647,177	177,617
Debt service:						
Principal	-	-	2,565,000	(2,565,000)	-	-
Interest	-	-	8,340	(8,340)	-	-
<b>Total Expenditures</b>	<u>10,083,968</u>	<u>10,753,502</u>	<u>12,785,365</u>	<u>(2,573,340)</u>	<u>10,212,025</u>	<u>541,477</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,312,837)</u>	<u>(2,966,371)</u>	<u>(4,002,129)</u>	<u>2,570,411</u>	<u>(1,431,718)</u>	<u>1,534,653</u>
<b>Other Financing Sources (Uses)</b>						
Insurance proceeds	-	382,173	492,077	-	492,077	109,904
Transfers in	1,700,000	1,700,000	1,679,366	-	1,679,366	(20,634)
Transfers out	(199,518)	(396,983)	(194,518)	(197,464)	(391,982)	5,001
<b>Total Other Financing Sources (Uses)</b>	<u>1,500,482</u>	<u>1,685,190</u>	<u>1,976,925</u>	<u>(197,464)</u>	<u>1,779,461</u>	<u>94,271</u>
<b>Net Change in Fund Balances</b>	<u>(812,355)</u>	<u>(1,281,181)</u>	<u>(2,025,204)</u>	<u>2,372,947</u>	<u>347,743</u>	<u>1,628,924</u>
<b>Fund Balances, beginning of year</b>	<u>9,947,951</u>	<u>9,947,951</u>	<u>11,820,386</u>	<u>-</u>	<u>9,947,951</u>	<u>-</u>
<b>Fund Balances, end of year</b>	<u>\$ 9,135,596</u>	<u>\$ 8,666,770</u>	<u>\$ 9,795,182</u>	<u>\$ 2,372,947</u>	<u>\$ 10,295,694</u>	<u>\$ 1,628,924</u>

**Reconciliation of Differences**

For budgetary purposes, the City considers Harder Hall as a separate fund. However, under Generally Accepted Accounting Principles (GAAP) applicable to governments, the Harder Hall fund does not meet the criteria to be treated as a special revenue fund.

Investment earnings of Harder Hall fund	\$ (2,929)
Expenditures of the Harder Hall fund	2,573,340
General Fund transfer to Harder Hall that was eliminated in GAAP presentation	(197,464)
	<u>\$ 2,372,947</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - INFRASTRUCTURE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 1,060,000	\$ 1,060,000	\$ 1,146,896	\$ 86,896
Investment earnings	10,000	10,000	49,044	39,044
<b>Total Revenues</b>	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,195,940</u>	<u>125,940</u>
<b>Expenditures</b>				
Capital outlay	1,144,000	1,291,117	782,038	509,079
Debt service:				
Principal	-	-	-	-
<b>Total Expenditures</b>	<u>1,144,000</u>	<u>1,291,117</u>	<u>782,038</u>	<u>509,079</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(74,000)</u>	<u>(221,117)</u>	<u>413,902</u>	<u>635,019</u>
<b>Net Change in Fund Balances</b>	(74,000)	(221,117)	413,902	635,019
<b>Fund Balances, beginning of year</b>	<u>2,420,218</u>	<u>2,420,218</u>	<u>2,420,218</u>	<u>-</u>
<b>Fund Balances, end of year</b>	<u>\$ 2,346,218</u>	<u>\$ 2,199,101</u>	<u>\$ 2,834,120</u>	<u>\$ 635,019</u>

The notes to the financial statement are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2018**

	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Water &amp; Wastewater</b>	<b>Solid Waste</b>	<b>Non-major (Golf Course)</b>	<b>Total</b>	
<b>Assets</b>					
Current Assets					
Cash and cash equivalents	\$ 3,306,450	\$ 1,718,661	\$ 927,975	\$ 5,953,086	\$ 1,321,748
Receivables, net	657,966	51,875	1,325	711,166	659,680
Due from other governments	19,809	21,894	-	41,703	-
Inventory	522,875	-	9,402	532,277	-
Intangible asset	437,342	-	-	437,342	-
Total Current Assets	4,944,442	1,792,430	938,702	7,675,574	1,981,428
Noncurrent Assets					
Restricted asset - cash and cash equivalents	2,057,201	-	-	2,057,201	-
Capital assets, net	38,181,500	1,184,738	656,193	40,022,431	-
Total Noncurrent Assets	40,238,701	1,184,738	656,193	42,079,632	-
<b>Total Assets</b>	<b>45,183,143</b>	<b>2,977,168</b>	<b>1,594,895</b>	<b>49,755,206</b>	<b>1,981,428</b>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	903,009	217,720	178,165	1,298,894	-
Deferred cost on refunding	305,241	-	-	305,241	-
<b>Total Deferred Outflows of Resources</b>	<b>1,208,250</b>	<b>217,720</b>	<b>178,165</b>	<b>1,604,135</b>	<b>-</b>
<b>Liabilities</b>					
Current Liabilities					
Accounts payable	560,326	56,801	66,947	684,074	884,475
Accrued expenses	56,554	14,683	21,343	92,580	25,000
Accrued interest payable	65,626	-	-	65,626	-
Unearned revenue	-	-	36,896	36,896	1,895
Compensated absences payable	80,674	17,583	14,899	113,156	-
Long-term debt - current	2,323,981	-	-	2,323,981	-
Current Liabilities Payable From Restricted Assets					
Accrued interest	2,694	-	-	2,694	-
Customer deposits	1,982,072	-	-	1,982,072	-
Total Current Liabilities	5,071,927	89,067	140,085	5,301,079	911,370
Noncurrent Liabilities					
Other postemployment benefits	117,681	30,397	23,147	171,225	-
Net pension liability	1,553,913	370,348	299,420	2,223,681	-
Landfill closure	-	380,000	-	380,000	-
Long-term debt	9,643,371	-	-	9,643,371	-
Total Noncurrent Liabilities	11,314,965	780,745	322,567	12,418,277	-
<b>Total Liabilities</b>	<b>16,386,892</b>	<b>869,812</b>	<b>462,652</b>	<b>17,719,356</b>	<b>911,370</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	400,761	80,146	68,061	548,968	-
<b>Net Position</b>					
Net investment in capital assets	25,970,314	1,184,738	656,193	27,811,245	-
Restricted for debt service (expendable)	72,434	-	-	72,434	-
Unrestricted	3,560,992	1,060,192	586,154	5,207,338	1,070,058
<b>Total Net Position</b>	<b>\$ 29,603,740</b>	<b>\$ 2,244,930</b>	<b>\$ 1,242,347</b>	<b>33,091,017</b>	<b>\$ 1,070,058</b>

Some amounts reported for business-type activities in the statement of net position are different because of unallocated overcharges by the internal service funds.

14,919  
\$ 33,105,936

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water &amp; Wastewater</b>	<b>Solid Waste</b>	<b>Non-major (Golf Course)</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for service	\$ 9,124,086	\$ 1,803,187	\$ 608,633	\$ 11,535,906
Miscellaneous revenue	525,258	23,093	55,423	603,774
<b>Total Operating Revenues</b>	<u>9,649,344</u>	<u>1,826,280</u>	<u>664,056</u>	<u>12,139,680</u>
<b>Operating Expenses</b>				
Employee compensation and benefits	2,358,387	592,963	525,714	3,477,064
General and administrative	423,375	160,911	104,574	688,860
Professional	135,241	2,535	9,832	147,608
Landfill fees	-	481,842	-	481,842
Insurance	258,834	43,301	23,338	325,473
Repairs, maintenance and supplies	1,732,333	230,238	171,500	2,134,071
Claims expense	-	-	-	-
Utilities	571,040	2,595	26,882	600,517
Depreciation	2,358,259	272,275	45,180	2,675,714
<b>Total Operating Expenses</b>	<u>7,837,469</u>	<u>1,786,660</u>	<u>907,020</u>	<u>10,531,149</u>
<b>Operating Income (Loss)</b>	<u>1,811,875</u>	<u>39,620</u>	<u>(242,964)</u>	<u>1,608,531</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment earnings	66,257	29,926	14,990	111,173
Connection fees	196,214	-	-	196,214
Gain from insurance recoveries	-	-	451,982	451,982
Miscellaneous	-	(6,941)	-	(6,941)
Interest expense	(403,293)	-	-	(403,293)
Amortization expense	(41,842)	-	-	(41,842)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(182,664)</u>	<u>22,985</u>	<u>466,972</u>	<u>307,293</u>
<b>Income (Loss) before Transfers</b>	<u>1,629,211</u>	<u>62,605</u>	<u>224,008</u>	<u>1,915,824</u>
Transfers in	-	-	194,518	194,518
Transfers out	(1,500,000)	(150,000)	-	(1,650,000)
<b>Change in Net Position</b>	<u>129,211</u>	<u>(87,395)</u>	<u>418,526</u>	<u>(12,922)</u>
<b>Total Net Position, beginning of year</b>				
as previously reported	29,520,177	2,344,818	833,323	32,698,318
Prior Period Adjustment	(45,648)	(12,493)	(9,502)	(67,643)
<b>Total Net Position, beginning of year as restated</b>	<u>29,474,529</u>	<u>2,332,325</u>	<u>823,821</u>	<u>32,630,675</u>
<b>Total Net Position, end of year</b>	<u>\$ 29,603,740</u>	<u>\$ 2,244,930</u>	<u>\$ 1,242,347</u>	<u>\$ 33,091,017</u>

Some amounts reported for business-type activities in the statement of activities are different because of unallocated overcharges by the internal service funds.

14,919  
\$ 33,105,936

The notes to the financial statement are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Water &amp; Wastewater</b>	<b>Solid Waste</b>	<b>Non-major (Golf Course)</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers and users	\$ 9,772,813	\$ 1,807,587	\$ 664,775	\$ 12,245,175
Cash received from interfund services	-	-	-	-
Cash received from reinsurance	-	-	-	-
Cash payments to suppliers	(3,050,329)	(938,817)	(294,184)	(4,283,330)
Cash payments for employee services	(2,264,772)	(571,971)	(505,206)	(3,341,949)
Net cash provided (used) by operating activities	<u>4,457,712</u>	<u>296,799</u>	<u>(134,615)</u>	<u>4,619,896</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfer to other funds	(1,482,341)	(138,812)	-	(1,621,153)
Transfer from other funds	-	-	201,387	201,387
Net cash provided (used) by noncapital financing activities	<u>(1,482,341)</u>	<u>(138,812)</u>	<u>201,387</u>	<u>(1,419,766)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(2,381,261)	(35,410)	(170,068)	(2,586,739)
Proceeds from insurance recoveries	-	-	451,982	451,982
Principal paid on long-term debt	(2,271,806)	-	-	(2,271,806)
Interest paid	(299,609)	-	-	(299,609)
Connection fees and capital contributions	180,766	-	-	180,766
Net cash used by capital and related financing activities	<u>(4,771,910)</u>	<u>(35,410)</u>	<u>281,914</u>	<u>(4,525,406)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	66,257	29,926	14,990	111,173
Net cash provided by investing activities	<u>66,257</u>	<u>29,926</u>	<u>14,990</u>	<u>111,173</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(1,730,282)	152,503	363,676	(1,214,103)
<b>Cash and Cash Equivalents, beginning of year</b>	7,093,933	1,566,158	564,299	9,224,390
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 5,363,651</u>	<u>\$ 1,718,661</u>	<u>\$ 927,975</u>	<u>\$ 8,010,287</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
(Continued)

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided (Used) by Operating Activities**

	Enterprise Funds				Internal Service Fund
	Water & Wastewater	Solid Waste	Non-major (Golf Course)	Total	
Operating Income (Loss)	\$ 1,811,875	\$ 39,620	\$ (242,964)	\$ 1,608,531	\$ (36,834)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	2,358,259	272,275	45,180	2,675,714	-
Loss on disposal of assets	37,448	-	-	37,448	-
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	53,190	1,754	(1,261)	53,683	(513,519)
Decrease in due from other government	-	(20,447)	-	(20,447)	-
Decrease in inventory	31,627	-	5,615	37,242	-
(Increase) in deferred outflows related to pensions	(101,313)	(23,461)	(8,438)	(133,212)	-
Increase (Decrease) in accounts payable	1,419	(17,395)	41,797	25,821	791,067
Increase (Decrease) in accrued expenses	(8,540)	(1,435)	145	(9,830)	(166,768)
(Decrease) in due to other funds	-	-	-	-	(153,148)
(Decrease) in due to component unit	-	-	-	-	(2,082)
(Decrease) in unearned revenue	-	-	(3,635)	(3,635)	(906)
Increase (Decrease) in compensated absences	4,331	(4,088)	(1,445)	(1,202)	-
Increase in customer deposits	70,279	-	-	70,279	-
(Decrease) in other postemployment benefits	(14,249)	(4,186)	(3,063)	(21,498)	-
Increase in net pension liability	116,592	22,419	3,937	142,948	-
Increase in deferred inflows related to pensions	96,794	31,743	29,517	158,054	-
Total adjustments	2,645,837	257,179	108,349	3,011,365	(45,356)
Net cash provided (used) by operating activities	\$ 4,457,712	\$ 296,799	\$ (134,615)	\$ 4,619,896	\$ (82,190)
Cash and Cash Equivalents Reconciliation:					
Cash and Cash Equivalents	\$ 3,306,450	\$ 1,718,661	\$ 927,975	\$ 5,953,086	\$ 1,321,748
Restricted Assets - Cash and Cash Equivalents	2,057,201	-	-	2,057,201	-
Cash and Cash Equivalents, end of year	\$ 5,363,651	\$ 1,718,661	\$ 927,975	\$ 8,010,287	\$ 1,321,748

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2018**

	<u><b>Pension Trust Fund</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,640,908
Receivables:	
Interest and dividends	93,574
Investments, at fair value:	
U.S. government obligations	3,182,081
Mortgage backed securities	1,714,342
Collateralized mortgage obligations	113,979
Municipal obligations	20,671
Corporate bonds	5,050,045
Common stock	7,703,593
Mutual funds - equities	10,059,504
Real estate partnership	1,009,892
Total Investments	<u>28,854,107</u>
<b>Total Assets</b>	<u>30,588,589</u>
<b>Liabilities</b>	
Accounts payable	<u>29,361</u>
<b>Total Liabilities</b>	<u>29,361</u>
<b>Net Position Restricted for Pensions</b>	<u><u>\$ 30,559,228</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<b>Pension Trust Fund</b>
<b>Additions</b>	
Contributions:	
City	\$ 994,532
Plan members	74,258
Total contributions	<u>1,068,790</u>
Investment income:	
Net appreciation in fair value of investments	1,569,663
Interest, dividends and other	705,514
Total investment income	<u>2,275,177</u>
Less investment expenses	<u>(127,268)</u>
Net investment income	<u>2,147,909</u>
Total Additions	<u>3,216,699</u>
<b>Deductions</b>	
Payments to retirees and participants	2,459,087
Administration expenses	76,688
Total Deductions	<u>2,535,775</u>
<b>Net Increase in Net Position</b>	<u>680,924</u>
<b>Net Position Restricted for Pensions:</b>	
Beginning of year	29,878,304
End of year	<u><u>\$ 30,559,228</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies and presentation of the financial report of the City of Sebring, Florida (the “City”) conforms to accounting principles generally accepted in the United States of America as applicable to local governments. This report, the accounting systems, and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB).

The following summary of the City’s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

**A. Reporting Entity**

The City, a municipality of the State of Florida, is located in Highlands County, is approximately sixteen square miles in area, and was incorporated in 1925. The City provides public safety, public works, recreation, and general governmental services to approximately 10,800 residents. The City also provides water, wastewater and sanitation services to its residents for a user charge. Additionally, the City operates and maintains a cemetery. The City Council is comprised of the Mayor and five City Council members.

As required by accounting principles generally accepted in the United States, these financial statements present the City and its component unit for which the government is considered financially accountable. The component unit discussed in the following paragraph is included in the City’s reporting entity because of the significance of its operational and financial relationship with the City.

*Discretely Presented Component Unit:*

The Community Redevelopment Agency (the “Agency”), is legally separate, and is responsible for the redevelopment of defined areas within the city limits. The Agency is governed by a seven-member board, which is appointed by the City Council. The City and County are obligated to pay the Agency any tax revenues relating to an increase in the assessed value of property within the redevelopment areas. During the current year, the City paid the Agency \$319,547, which represents its portion of the incremental increase in ad valorem taxes. The Agency is presented in a separate column in the government-wide statements to emphasize they are legally separate from the primary government.

**B. Related Organizations**

The City Council is also responsible for appointing board members of the Sebring Airport Authority (the “Authority”) from individuals nominated to the board by the Authority, but the City’s accountability for this organization does not extend beyond making the appointments and therefore, it is not a component unit.

**C. Basis of Presentation**

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Government-wide Financial Statements:**

The statement of net position and the statement of activities display information about the City as a whole, except for its fiduciary activities. These statements include the financial activities of the primary government and the City's discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges incurred between the City's water, wastewater, and solid waste functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities demonstrates the degree to which direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or individuals who purchase, use, or directly benefit from goods, services or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. These fund financial statements are in addition to the government-wide financial statements.

**Fund Financial Statement Presentation:**

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds; each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures or expenses as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party, pension participants, and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Governmental Major Fund:**

General Fund – This fund is the City’s primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property and utilities service taxes, franchises, licenses and permits, intergovernmental revenue, and charges for services. Expenditures are incurred to provide public safety, general government, public works, recreation, and the operation of its cemetery.

Infrastructure Fund – This special revenue fund accounts for the voted one cent local option sales surtax. The proceeds for this surtax may only be expended on assets specified by statutes.

**Proprietary Major Funds:**

Water and Wastewater Fund - This fund accounts for the operation of water and wastewater services to customers within the service area.

Solid Waste Fund - This fund accounts for the operations of the City’s sanitation and landfill to customers within the city limits.

**Proprietary Non-Major Fund:**

Golf Course Fund – This fund accounts for the operations of the Sebring Municipal Golf Course.

Internal Service Funds – These funds account for the activities of the City’s self-insured health insurance plan and property and casualty risk management insurance plan.

**Fiduciary Funds:**

Pension Trust Funds – These funds account for financial activity of the pension plans for policemen and firemen of the City. The City’s Pension Trust Funds are the Municipal Firefighters’ Pension Plan and the Police Officers’ Retirement Trust Fund. Each plan is administered by a board of trustees.

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities of the City are recorded in these financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

The governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they are both “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days after year-end. Property taxes, utility taxes, franchise fees, and interest earnings are susceptible to accrual.

Intergovernmental revenues collected and held by other governments are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditures are recognized in the accounting period in which the fund liability is incurred except for un-matured interest on general long-term debt which is recognized when due.

Proprietary funds are reported using the economic resources measurement focus and use the accrual basis of accounting. Operating revenues and expenses of the proprietary funds are defined revenues or expenses related to the provision of the applicable service. Nonoperating revenues and expenses include items unrelated to the provision of services.

In the proprietary funds, when both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed. In the governmental funds, when an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Fiduciary funds are reported using the economic resources measurement focus and use the accrual basis of accounting. Under this method revenues and plan member contributions are recognized when due and there is a formal commitment to provide the contributions. Expenses are recognized when they are incurred. Benefits and refunds are recognized when due and payable in accordance with terms of each plan.

**E. Budgetary Information**

An annual budget was prepared for the General Fund and Infrastructure Fund on a basis consistent with the modified accrual basis of accounting. In addition, the City budgeted for activity related to Harder Hall as a separate special revenue fund. However, Generally Accepted Accounting Principles (GAAP) requires the inclusion of this fund with the General Fund for financial reporting purposes, since it does not meet the criteria to be treated as a separate fund. Therefore, the activity for Harder Hall is reflected as a reconciling difference from a GAAP basis to a budgetary basis.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund shown in the basic financial statements, present comparisons of the legally adopted budget, as amended, with actual results for the General Fund. The originally adopted budget is presented for purposes of comparison to the final, amended budget. The City Council amended the budget of the General Fund by resolution. These amendments provided for additional budgetary appropriations in the amount of \$866,999. Of this amount, \$468,826 was financed by fund balance reserves, with the remaining \$398,173 financed by additional budgeted revenues.

The City also adopts an operating budget for its Enterprise Funds on a modified accrual basis which is not the same basis of accounting as that used to account for actual results of operations (accrual basis). The primary differences between the budgetary basis and the basis used to account for the results of operations are that the City budgets capital outlays and debt service transfers, which includes principal payments. Additionally, the City does not budget depreciation or amortization expense.

Budgets are prepared for the Pension Trust Funds by the board of trustees.

The level of budgetary control is at the department level due to City Council's required approval of budget transfers between departments.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Enterprise Funds. Encumbrances are not the equivalent of expenditures and lapse at year end. However, since the City intends to honor contracts in progress at year end, the encumbrances are re-appropriated as a reduction against the following year's budget.

**F. Reconciliation of Government-wide and Fund Financial Statements**

Explanation of differences between the Governmental Funds Balance Sheet and the Governmental Activities Statement of Net Position:

"Total" fund balances of the City's governmental funds of \$12,629,302 differ from "net position" of governmental activities, \$21,875,067, reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Explanation of differences between the Governmental Funds, Operating Statement and the Statement of Activities:

The "net change in fund balances" for governmental funds, a decrease of \$1,611,302 differs from the "change in net position" for governmental activities, a decrease of \$50,565, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.



**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Explanation of differences between the Enterprise Funds Statement of Net Position and the Business-type Activities Statement of Net Position and the Enterprise Funds Statement of Revenues, Expenses and Changes in Fund Net Position and the Business-type Activities Statement of Activities:

The difference is from unallocated overcharges by the Internal Service Funds that are included in the governmental activities.

**G. Reclassification and Eliminations**

The decrease in net position of \$12,922, for the Internal Service Funds was eliminated in the Government-wide Statement of Activities by decreasing expenses in the business-type activities by \$14,919, and increasing expenses in the governmental activities \$27,841.

**H. Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, the City considers cash and cash equivalents to be cash on hand, cash in banks, and short term investments with maturities less than three months when acquired, including restricted assets.

**I. Investments**

Investments are stated at fair value, except for short-term investments, which are stated at amortized cost. Fair value is based on the price that would be received to sell an investment in an orderly transaction between market participants.

**J. Receivables**

Receivables are shown at their net realizable value and reduced by an allowance for those uncollectible accounts, where determined by management. Uncollectible accounts are those 120 days old and greater.

**K. Inventories**

Inventories are stated at cost, which is not in excess of market. Cost is determined on a weighted average method for the Water and Wastewater Fund, and a specific identification method for the Golf Course Fund.

**L. Intangible Assets**

On April 1, 1993, the City purchased its water system from Sebring Utilities Commission. The amount that the purchase price and liabilities assumed exceeded the fair market value of assets acquired was recorded as an intangible asset. This intangible asset amounted to \$1,372,779 and is being amortized on a straight-line basis over a 37-year period, which approximates the acquired assets' remaining useful life.

On January 3, 2001, the City purchased the assets of Heartland Utilities, Inc. for \$1,175,000. The intangible asset from this acquisition amounted to \$94,796 and is being amortized over a 20 year period.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

The total unamortized balance for these two intangible assets at September 30, 2018, is \$437,342 and is comprised of \$426,678 from the Sebring Utilities Commission purchase and \$10,664 from the Heartland Utilities, Inc. water asset purchase.

**M. Capital Assets**

Capital assets include land, buildings, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, and similar subsystems), and are carried at historical cost. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Contributed assets are recorded at fair market value as of the date received. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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.

Interest is capitalized on Enterprise Fund assets during the period of construction. The amount of interest to be capitalized related to tax exempt borrowings is limited to the amount of interest expense incurred from the date of the borrowing less the interest earned on invested proceeds. No interest was capitalized for the year ended September 30, 2018.

Depreciation is provided and is computed on the straight-line method over the estimated useful lives of the assets which are as follows:

Buildings .....	40 years
Plants and Improvements Other than Buildings .....	5 to 40 years
Equipment .....	4 to 10 years
Stormwater Systems/Retention Ponds.....	25 years
Streets, Street Lights, Sidewalks, and Parking Lots .....	40 years

**N. Deferred Outflows / Deferred Inflows of Resources**

The City has multiple items that qualify for reporting as deferred outflows of resources, one of which is reported in the government-wide and proprietary funds statement of net position. 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 deferred outflows related to pensions include changes in actuarial assumptions, net difference between projected and actual earnings on pension plan investments, changes in proportion and differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date that the City uses for reporting its net pension liability. These amounts will be recognized as either an increase in pension expense or a reduction in net pension liability in future reporting years. The other item is reported in the government-wide and proprietary fund statements of net position and is the deferred costs on refunding. The deferred costs on refunded debt resulted from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is amortized over the term of the refunded debt using the effective interest method.

Details on the composition of deferred outflows related to pensions are reported in Note 12.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

The City has multiple items that qualify for reporting as deferred inflows of resources in the government-wide and proprietary funds statement of net position, and one item that qualifies as a deferred inflow of resources in the governmental funds. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide and proprietary funds statement of net position these items include the difference between expected and actual economic experience, net difference between projected and actual earnings on pension plan investments, and changes in the proportion and differences between the City's contributions and proportionate share of contributions. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. In the governmental funds, a deferred inflow of resources is reported for unavailable revenues that were not received within sixty days of year end. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

Details on the composition of deferred inflows related to pensions are reported in Note 12.

**O. Unearned Revenues**

Unearned revenue arises only when the City receives resources before it has a legal claim to them. Governmental Funds report unearned revenue in connection with resources that have been received, but not yet earned.

Revenues in the Proprietary Funds which have not been earned are reported in accordance with the accrual basis of accounting as unearned revenue. The unearned revenue will be recognized as revenues in the fiscal year in which they are earned.

**P. Interfund Transactions and Loans**

Transactions for services rendered are recorded as revenues in the receiving fund and as expenditures in or expenses (as appropriate) in the disbursing fund.

Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses (as appropriate) in the disbursing fund and as a reduction of expenditures or expenses (as appropriate) in the receiving fund; and transactions to shift revenues from the fund budgeted to receive them to the fund budgeted to expend them are recorded as transfers in and out, respectively.

Transfers are reported in the "Other Financing Sources (Uses)" section in the statement of revenues, expenditures, and changes in fund balances and in the "Transfers" section in the statement of revenues, expenses, and changes in fund net pension.

During the course of operations, transactions occur between individual funds for certain operating expenses or services rendered that result in loans between funds. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables are planned to be eliminated shortly after year end. Long-term interfund loans are classified as "advances to/from other funds." Any balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Q. Compensated Absences**

It is the City's policy to permit full-time employees to accumulate limited amounts of earned vacation leave and earned sick leave. Upon separation from service, employees receive payment for all unused vacation leave. No sick leave benefits of any kind are granted upon termination of employment and therefore no liability is recorded for unpaid accumulated sick leave. Vacation pay is reported as an expense and liability when earned by the employee in the government-wide and proprietary fund financial statements and is considered a current liability. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded.

**R. Pension Plans**

The City has pension plans covering substantially all of its regularly employed employees. It is the policy of the City to fund pension costs for defined benefit plans on an actuarial basis, which includes amortization of prior service costs, and to fund defined contribution plans as pension costs accrue.

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

**S. 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 issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**T. Fund Balance Policy**

The City's policy for fund balance of the General Fund is to maintain minimum fund balances equal to 25% of the current year operating expenditures budgeted. If prior committed or assigned fund balance causes the unassigned fund balance to fall below 25%, the City Administrator will present a strategic plan to City Council to take actions necessary to restore the unassigned fund balance to acceptable levels in subsequent fiscal year(s) until the balance is restored to the minimum level.

**U. Property Taxes**

Ad valorem taxes for the current fiscal year (beginning October 1, 2017) are assessed on July 1, 2017, based on property values as of January 1, 2017. The taxes are levied in the month of November 2017, by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due and payable November 1, 2017, and become delinquent April 1, 2018. Tax certificates are sold for delinquent taxes by June 1, 2018. Generally, the City collects substantially all of its current year property taxes during the year in which they are due. No accrual for the property tax levy becoming due in November 2018 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the next fiscal year.

**V. Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**W. Government –wide and Proprietary Fund Net Position**

Government-wide and proprietary fund net position is divided into three categories:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.
- Restricted net position – consist of amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.
- Unrestricted – all other net position are reported in this category.

**X. Government Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable fund balance—amounts that are not in spendable form (such as prepaid expenses, advances, or long term investments) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council) and its highest level action (i.e. Ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or the Finance Director.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

**NOTE 2 – CASH AND INVESTMENTS:**

**Cash** – Custodial Credit Risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. At year-end, the City’s deposits were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes.

Cash and cash equivalents at September 30, 2018, including restricted amounts, consist of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Unit
Petty cash and change funds	\$ 700	\$ 2,200	\$ -	\$ -
Demand and brokerage deposits	305,548	2,201,036	143,287	12,448
Cash with fiscal agent	100,000	-	-	-
Certificate of deposit	-	265,951	-	-
Money market mutual funds	-	-	1,497,621	-
Florida PRIME	13,631,112	5,541,100	-	1,606,217
Total cash and cash equivalents	<u>\$ 14,037,360</u>	<u>\$ 8,010,287</u>	<u>\$ 1,640,908</u>	<u>\$ 1,618,665</u>

**Investments** – The City has adopted an investment policy in accordance with Florida Statutes, which authorizes the City to invest in obligations of the U.S. Treasury, U.S. Agencies, and Florida State Board of Administration (SBA) Local Government Surplus Funds Trust Fund (“Florida PRIME”). The Pension Trust Funds are also authorized to invest in corporate bonds, stocks or other evidences of indebtedness provided that they meet certain requirements listed in the ordinances of the City that govern the pension plans.

The City invests funds throughout the year with the Florida PRIME, an investment pool is administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2018, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 34.4% of the Florida PRIME’s portfolio at September 30, 2018.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 2 – CASH AND INVESTMENTS: (continued)**

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost; therefore the pool is reported at amortized cost.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the Executive Director may extend the moratorium until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

Credit Risk - The City has no policy on credit risk. Investments at fair value and corresponding credit risk rating as of September 30, 2018 are as follows:

<u>Investment Type</u>	<u>Fiduciary Funds</u>	<u>Moody Rating</u>
U.S. Government obligations	\$ 3,182,081	Aaa
Mortgage backed securities	1,714,342	Not Rated
Collateralized mortgage obligations	68,772	Aaa
Collateralized mortgage obligations	45,207	Not Rated
Municipal obligations	20,671	A2
Corporate bonds	11,690	Aaa
Corporate bonds	627,101	Aa1 to Aa3
Corporate bonds	3,420,243	A1 to A3
Corporate bonds	820,711	Baa1 to Baa3
Corporate bonds	170,300	Not Rated
Common stock	7,703,593	Not Applicable
Mutual funds - equities	10,059,504	Not Applicable
Real estate partnership	1,009,892	Not Applicable
Total Investments	<u>\$ 28,854,107</u>	

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 2 – CASH AND INVESTMENTS: (continued)**

The Florida PRIME is rated by Standard and Poor's with a credit risk rating of AAAm and a weighted average maturity of 33 days at September 30, 2018.

The fiduciary funds have two money market mutual funds, one that has \$1,333,067 that is rated by Standard and Poor's with a credit risk rating of AAAm and a weighted average maturity of 10 days, and a second money market mutual fund that has \$164,554 that is rated by Standard and Poor's with a credit risk rating of AAAm and a weighted average maturity of 27 days at September 30, 2018.

Fair Value – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets.

Investments classified as Level 3 of the fair value hierarchy reflect prices based upon unobservable inputs for an asset or liability. Fixed income classified as Level 3 are prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost.

The Fiduciary Funds own shares in a real estate investment fund which is a pooled investment fund that is a broadly diversified core real estate fund that reports its value at net asset value (NAV) per share. Redemption requests of units in the real estate investment fund may be made at any time and are effective at the end of the calendar quarter in which the request is received by the investment fund. The units that are subject to a redemption notice may be redeemed in installments as funds become available for such purpose and the redemption price will be the value per unit at such time the payment is made. All investments of the real estate investment fund are appraised by an independent third-party MAI appraiser each and every quarter, commencing the quarter after the investment is made.

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

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
U.S. government obligations	\$ 3,182,081	\$ -	\$ 3,182,081	\$ -
Mortgage backed securities	1,714,342	-	1,714,342	-
Collateralized mortgage obligations	113,979	-	113,979	-
Municipal obligations	20,671	-	20,671	-
Corporate bonds	5,050,045	-	5,050,045	-
Common stock	7,703,593	7,703,593	-	-
Mutual funds - equities	10,059,504	10,059,504	-	-
Total Investments Measured at Fair Value	27,844,215	<u>\$ 17,763,097</u>	<u>\$ 10,081,118</u>	<u>\$ -</u>
Investments Measured at Amortized Cost or NAV				
Real estate partnership	1,009,892			
Florida PRIME	<u>20,778,429</u>			
Total Investments	<u>\$ 49,632,536</u>			



**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 2 – CASH AND INVESTMENTS: (continued)**

Interest Rate Risk - The City has no policy on interest rate risk. Investments and related level of risk at September 30, 2018 are as follows:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Fiduciary Funds					
U.S. government obligations	\$ 3,182,081	\$ -	\$ 604,114	\$ 1,148,312	\$ 1,429,655
Mortgage backed securities	1,714,342	-	89,330	198,856	1,426,156
Collateralized mortgage obligations	113,979	-	45,207	-	68,772
Municipal obligations	20,671	-	-	-	20,671
Corporate bonds	5,050,045	740,665	3,608,266	133,113	568,001
Total	<u>\$ 10,081,118</u>	<u>\$ 740,665</u>	<u>\$ 4,346,917</u>	<u>\$ 1,480,281</u>	<u>\$ 3,513,255</u>

Mortgages included in these investments may be repaid sooner by individuals depending on interest rate changes.

**NOTE 3 – RECEIVABLES:**

Receivables as of September 30, 2018 for the City's individual major funds and internal service fund, including applicable allowances for uncollectible balances, are as follows:

	Governmental Activities		
	General	Internal Service	Total
Utility and franchise taxes	\$ 272,606	\$ -	\$ 272,606
Customer charges	1,115	-	1,115
Reinsurance	-	650,024	650,024
Miscellaneous	1,822	9,656	11,478
Gross receivables	275,543	659,680	935,223
Allowance for doubtful	(1,757)	-	(1,757)
Total	<u>\$ 273,786</u>	<u>\$ 659,680</u>	<u>\$ 933,466</u>

	Business-type Activities			
	Water and Wastewater	Solid Waste	Golf Course	Total
Utility and franchise taxes	\$ -	\$ 2,057	\$ -	\$ 2,057
Customer charges	506,349	49,818	-	556,167
Customer charges - unbilled	156,702	-	-	156,702
Miscellaneous	-	-	1,325	1,325
Gross receivables	663,051	51,875	1,325	716,251
Allowance for doubtful	(5,085)	-	-	(5,085)
Total	<u>\$ 657,966</u>	<u>\$ 51,875</u>	<u>\$ 1,325</u>	<u>\$ 711,166</u>

**CITY OF SEBRING, FLORIDA**  
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SEPTEMBER 30, 2018

**NOTE 4 – INTERFUND TRANSFERS:**

Interfund transfers for the year ending September 30, 2018 were as follows:

Transfer Out Fund	Transfer In Fund		Total
	General Fund	Golf Course Fund	
General Fund	\$ -	\$ 194,518	\$ 194,518
Water and Wastewater	1,500,000	-	1,500,000
Solid Waste Fund	150,000	-	150,000
Component Unit	29,366	-	29,366
Total	<u>\$1,679,366</u>	<u>\$ 194,518</u>	

Transfer activities include:

- Transfers out from the General Fund to the Golf Course Fund for \$194,518 represents the amount budgeted and transferred to fund operations of the golf course.
- Transfers out from the Component Unit to the General Fund in the amount of \$29,366 represents payments for road improvements within the CRA district.
- Transfers out from the Water & Wastewater of \$1,500,000 and Solid Waste Funds of \$150,000 to the General Fund represent amounts budgeted as supplemental transfers to the General Fund.

**NOTE 5 – RESTRICTED ASSETS:**

Restricted assets in the Enterprise Funds consist of the following:

Resolutions pertaining to outstanding loans payable require the segregation and restriction of assets, which are for designated purposes, and are shown below along with other restricted amounts.

Restricted Assets for Loans Payable:	
Sinking Fund	\$ 23,541
Reserve Fund	<u>51,588</u>
Total Restricted Assets for Loans Payable	75,129
Other Restricted Assets:	
Customer utility deposits	<u>1,982,072</u>
Total Restricted Assets	<u><u>\$2,057,201</u></u>

At September 30, 2018 the sinking fund balances are fully funded in accordance with loan requirements. The net position restricted for debt service of \$72,434 for Business-type activities represents the Sinking and Reserve Funds assets established for the loans payable, less the amount recorded as accrued interest payable from restricted assets.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 6 – CAPITAL ASSETS:**

**A. Changes in Capital Assets**

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

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,639,341	\$ -	\$ -	\$ -	\$ 1,639,341
Construction in progress	-	25,898	-	-	25,898
Total capital assets not being depreciated	1,639,341	25,898	-	-	1,665,239
Capital assets, being depreciated:					
Buildings	4,714,480	163,536	-	-	4,878,016
Improvements other than buildings	5,817,182	211,114	(32,317)	-	5,995,979
Equipment	6,500,693	250,459	(223,480)	15,164	6,542,836
Infrastructure	8,651,003	582,156	-	-	9,233,159
Total capital assets being depreciated	25,683,358	1,207,265	(255,797)	15,164	26,649,990
Less accumulated depreciation for:					
Buildings	2,275,882	116,353	-	-	2,392,235
Improvements other than buildings	3,566,313	269,789	(32,115)	-	3,803,987
Equipment	5,036,164	372,626	(223,018)	8,223	5,193,995
Infrastructure	3,218,150	368,878	-	-	3,587,028
Total accumulated depreciation	14,096,509	1,127,646	(255,133)	8,223	14,977,245
Total capital assets being depreciated, net	11,586,849	79,619	(664)	6,941	11,672,745
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 13,226,190</b>	<b>\$ 105,517</b>	<b>\$ (664)</b>	<b>\$ 6,941</b>	<b>\$ 13,337,984</b>
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 595,877	\$ -	\$ (18,000)	\$ -	\$ 577,877
Construction in progress	156,253	1,299,115	-	(684,603)	770,765
Total capital assets not being depreciated	752,130	1,299,115	(18,000)	(684,603)	1,348,642
Capital assets, being depreciated:					
Buildings	1,355,282	62,565	(47,575)	-	1,370,272
Equipment	7,437,117	632,259	(43,925)	(15,164)	8,010,287
Golf course improvements	979,444	-	-	-	979,444
Water system	39,883,272	33,990	(34,995)	684,603	40,566,870
Wastewater system	33,842,338	695,284	(931,212)	-	33,606,410
Total capital assets being depreciated	83,497,453	1,424,098	(1,057,707)	669,439	84,533,283
Less accumulated depreciation for:					
Buildings	699,264	39,523	(47,575)	-	691,212
Equipment	4,431,163	578,250	(42,013)	(8,223)	4,959,177
Golf course improvements	783,087	28,553	-	-	811,640
Water system	19,094,169	1,156,978	(34,995)	-	20,216,152
Wastewater system	19,204,579	872,410	(895,676)	-	19,181,313
Total accumulated depreciation	44,212,262	2,675,714	(1,020,259)	(8,223)	45,859,494
Total capital assets being depreciated, net	39,285,191	(1,251,616)	(37,448)	677,662	38,673,789
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 40,037,321</b>	<b>\$ 47,499</b>	<b>\$ (55,448)</b>	<b>\$ (6,941)</b>	<b>\$ 40,022,431</b>

The City restated its beginning balances for governmental activities accumulated depreciation because of an error in how depreciation was calculated. See Note 15.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – CAPITAL ASSETS: (continued)**

Depreciation expense was charged to governmental functions as follows:

**Governmental Activities:**

General government	\$ 203,569
Law enforcement	146,662
Fire control	218,815
Building and zoning	2,923
Physical environment	55,121
Transportation	373,979
Culture and recreation	126,577
Total	<u>\$ 1,127,646</u>

Depreciation expense was charged to business-type functions as follows:

**Business-type Activities:**

Water	\$ 1,360,016
Wastewater	998,243
Solid waste	272,275
Golf course	45,180
Total	<u>\$ 2,675,714</u>

Amortization expense related to capital leases amounted to \$135,000 is included in depreciation expense related to business-type activities.

The City owns a well and related equipment currently not in use. This idle property was purchased in 2001 for \$192,060 and has a carrying value of \$89,243 at September 30, 2018.

**NOTE 7 – COMMITMENTS:**

**A. Construction Commitments:**

The following is a summary of the projects in process and other commitments remaining at September 30, 2018:

	Commitment Authorized	Expended to September 30, 2018	Remaining Commitment
Infrastructure Fund:			
Sebring Parkway Improvements	\$ 849,746	\$ -	\$ 849,746
Other Road and Sidewalk Improvements	49,006	8,861	40,145
Water and Wastewater Fund			
Water line and Plant Improvements	437,490	364,003	73,487
Wastewater Plant and Collection Improvements	523,933	459,843	64,090
Total	<u>\$ 1,860,175</u>	<u>\$ 832,707</u>	<u>\$ 1,027,468</u>

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 7 – COMMITMENTS: (continued)**

**B. Encumbrances**

Other significant commitments include encumbrances outstanding as shown below:

General Fund	\$ 80,767
Water and Wastewater Fund	702,620
Solid Waste Fund	20,855
Infrastructure Fund	5,175
Golf Course Fund	14,350
Component Unit	132,858
Total	<u>\$ 956,625</u>

**NOTE 8 – PLEDGED REVENUES:**

The City has pledged future revenues derived from the operation of the water and wastewater systems and public service taxes, net of operating and maintenance expenses, to repay five loans amounting to \$11,406,702. The loan descriptions and lengths of the loans are provided for in Note 9 and are payable solely from the net earnings of the water and wastewater systems. The total principal and interest remaining to be paid on the loans is \$12,117,506. Principal paid and interest expense for the current year was \$2,361,365 and net system revenues were \$5,712,092. Scheduled principal and interest for pledged loans for fiscal year 2019 is \$2,333,282. Annual payments of debt service are expected to require 40.9% of available net revenues.

**NOTE 9 – LONG-TERM DEBT:**

**A. Refunding Note Payable**

**Business-type Activities**

Refunding Note Payable at September 30, 2018 is as follows:

\$21,331,075 refunding note payable at 2.169% from PNC Bank, National Association; annual principal payment between \$1,702,495 and \$2,155,140, beginning January 1, 2013 through January 1, 2023; interest paid semiannually; secured by a pledge of net revenues of the water and wastewater system. \$ 10,337,300

The Utility Revenue Refunding Note, Series 2011 and interest thereon are limited, special obligations of the City payable from and secured solely by a pledge of and lien on (1) net revenues derived from the ownership and operation of the system, (2) connection fees, (3) unless and until released as provided in the Resolution, public service taxes, and (4) until expended the proceeds of the refunding note and all monies, including investment earnings, on deposit in certain funds and accounts established under the Resolution.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 9 – LONG-TERM DEBT: (continued)**

The major provisions of the resolution authorizing the Utility Revenue Refunding Note, Series 2011, are as follows:

- Rates – The City will establish, maintain and collect fees, rates or other charges for the services of the system that will provide in each fiscal year 135% of the annual debt service requirement. If the City does not meet this covenant, the note rate shall be increased by 0.15% per annum retroactive to the first day following the end of such fiscal year. For fiscal year 2018, the refunding note coverage for the City's rate test is 231%.

**B. Loans Payable**

**Business-type Activities**

Loans Payable at September 30, 2018 are as follows:

\$1,649,519 loan payable (\$154,438 at 3.08% and \$1,495,081 at 1.87%); from the State of Florida, Department of Environmental Protection; semiannual payment of \$50,029, including interest, beginning August 15, 2004 through February 15, 2024; secured by a pledge of net revenues of the water and wastewater system. \$ 518,818

\$165,859 loan payable at 2.71% from the State of Florida, Department of Environmental Protection; semiannual payment of \$5,476, including interest, beginning June 15, 2011 through December 15, 2030; secured by a pledge of net revenues of the water and wastewater system. 115,474

\$69,227 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$2,140, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system. 48,278

\$517,413 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$17,145, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system. 386,832

**Total Loans Payable** \$ 1,069,402

**C. Capital Lease Obligations**

The City has entered into a lease agreement as lessee for financing the acquisition of equipment for its water operations. The following lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payment as of the inception date.

- The SunTrust Bank capital lease used for the purchase of an automatic water meter reading system is dated January 20, 2006 for \$2,700,000 at a 3.99% interest rate, due in semi-annual installments of \$118,788 through November 1, 2020.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 9 – LONG-TERM DEBT: (continued)**

The assets acquired through the capital lease are as follows:

Asset:	Business-type Activities
Water meters	\$ 2,700,000
Less accumulated depreciation	(1,642,500)
Net book value	<u>\$ 1,057,500</u>

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

Year Ending September 30	Business-type Activities
2019	\$ 237,576
2020	237,576
2021	<u>118,788</u>
Total minimum lease payments	593,940
Less: amount representing interest	<u>(33,290)</u>
Present value of minimum lease payments	560,650
Less: current portion representing principal	<u>(217,772)</u>
Total capital lease obligations – long term	<u>\$ 342,878</u>

**D. Debt Service Requirements to Maturity**

Refunding note payable, loans payable, and notes payable debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2019	\$ 2,106,209	\$ 227,073	\$ 2,333,282
2020	2,146,868	180,951	2,327,819
2021	2,199,548	133,815	2,333,363
2022	2,247,202	85,589	2,332,791
2023	2,291,733	36,359	2,328,092
2024-2028	260,743	36,901	297,644
2029-2033	154,399	10,116	164,515
	<u>\$ 11,406,702</u>	<u>\$ 710,804</u>	<u>\$ 12,117,506</u>

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 9 – LONG-TERM DEBT: (continued)**

**E. Long-Term Liability Activity**

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Long-term Portion
<b>Governmental Activities:</b>						
Compensated absences	\$ 341,413	\$ 293,375	\$ 332,722	\$ 302,066	\$ 302,066	\$ -
Loan payable	2,565,000	-	2,565,000	-	-	-
Other post-employment benefits	745,650	-	36,211	709,439	-	709,439
Total Governmental Activities						
Long-Term Liabilities	<u>\$ 3,652,063</u>	<u>\$ 293,375</u>	<u>\$ 2,933,933</u>	<u>\$ 1,011,505</u>	<u>\$ 302,066</u>	<u>\$ 709,439</u>
<b>Business-type Activities:</b>						
Capital lease obligations	\$ 770,154	\$ -	\$ 209,504	\$ 560,650	\$ 217,772	\$ 342,878
Loan payable	1,191,959	-	122,557	1,069,402	125,239	944,163
Refunding note payable	12,277,045	-	1,939,745	10,337,300	1,980,970	8,356,330
Compensated absences	114,358	99,494	100,696	113,156	113,156	-
Landfill closure	380,000	-	-	380,000	-	380,000
Other post-employment benefits	192,723	-	21,498	171,225	-	171,225
Total Business-type Activities						
Long-Term Liabilities	<u>\$ 14,926,239</u>	<u>\$ 99,494</u>	<u>\$ 2,394,000</u>	<u>\$ 12,631,733</u>	<u>\$ 2,437,137</u>	<u>\$ 10,194,596</u>

For governmental activities, compensated absences and other post-employment benefits are liquidated by the General Fund.

For the fiscal year ending September 30, 2018, total interest expense entity-wide was \$405,056. In the governmental activities, interest expense amounted to \$1,763 and was incurred on a loan used for rehabilitation and improvement of the Harder Hall Hotel. In the business-type activities, interest expense amounted to \$403,293 and was incurred for loans and capital leases used to purchase and construct capital assets. Amortization of the deferred cost on refunding, in the amount of \$118,004, is included in interest expense.

**NOTE 10 - LANDFILL CLOSURE LIABILITY:**

The City owns and operates a landfill for yard trash as part of its solid waste operation. The solid waste operation of the City is accounted for as a business-type activity in the Solid Waste Fund. In September 2012, the Florida Department of Environmental Protection approved a change to the City's landfill permit. The landfill permit in effect until September 21, 2012 was a general landfill permit, which required a restriction on funds to cover 30 years of post-closure maintenance. The new permit is a yard waste facility permit, which requires no funding of the closure and post-closure maintenance. At September 30, 2018, the City has maintained a \$380,000 liability to cover the estimated landfill closure requirements of the Florida Department of Environmental Protection.



**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11– RISK MANAGEMENT:**

**A. Risk Pool**

The City, in October 1988, entered into an agreement with other political subdivisions to create a local government risk management pool called Public Risk Management of Florida (PRM). PRM was organized to develop and administer a Protected Self-Insured Retention Program for its member organizations. PRM provides the City with coverage from risks in the areas of property, automobile, general liability, police professional, workmen's compensation, public officials' liability, and crime. The City has elected to retain the risk of loss of \$10,000 per occurrence.

PRM is a total risk and cost sharing pool for all losses the members have elected to not retain. PRM uses specific excess insurance to cover losses above predetermined self-insured retention levels and aggregate excess insurance to protect the loss fund in the event it becomes exhausted.

Premiums are paid by all funds to the City's Internal Service Fund for its self-insured property and casualty risk management insurance plan. Other than the risk of loss the City has retained the City does not have any claim liability in addition to premiums paid to PRM.

**B. Risk Retention**

The City self-insures the health benefits it provides to its employees. The City's plan retains the risk of loss for the medical claims up to \$60,000, and paid by December 31, 2018, per individual per year with an overall additional amount of \$130,000. The City uses specific reinsurance with a deductible of \$130,000 to reduce its exposure for medical claims, excluding vision, dental and drug benefits, incurred and paid by September 30, 2018 that exceed a \$60,000 limit per individual. The City also utilizes an aggregate policy to reduce its exposure for total medical claims. The City's aggregate policy provides coverage on an overall basis when covered medical claims exceed \$1,289,435 during the current fiscal year. The City also purchases commercial insurance for its exposure related to life benefits provided to employees. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City reports its risk management activities in the Internal Service Fund. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated, and it will not be covered by reinsurers. These losses include an estimate of claims that have been incurred but not reported.

The liability at September 30, 2018 is \$907,398. The following is a summary of changes in the liability balance:

Fiscal Year	Liability Beginning of Fiscal Year	Current Year Claims And Changes in Estimate of Liability	Net Claim Payments	Liability End of Fiscal Year
2016-2017	\$ 163,528	\$ 1,280,041	\$ 1,158,393	\$ 285,176
2017-2018	285,176	1,958,039	1,369,282	907,398

The above current year claims and changes in estimate of liability is net of any amounts received from employees and reinsurance.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 – PENSION PLANS:**

Substantially all full-time employees of the City of Sebring are covered by one of four pension plans.

**Police Officers' Retirement Trust Fund (PORTF)**

**General Information about the PORTF**

Plan Description – All officers and policemen hired before January 1, 2013, who have been certified to permanent status, excluding civilian, clerical and other employees of the City's police department, participate in the PORTF, a single-employer, defined benefit pension plan that was established by a special act of the State of Florida in 1967, Chapter 2069 and is currently governed by city ordinance as amended from time to time and administered by the PORTF Board of Trustees. The plan is closed to new members. PORTF provides retirement, disability and death benefits to plan members and their beneficiaries. The PORTF also has a deferred retirement option plan. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan. The PORTF is reported in the City's fiduciary financial statement as a pension trust fund.

Plan Membership - As of October 1, 2017, the members of the plan were as follows:

Inactive plan members or beneficiaries receiving benefits .....	21
Inactive plan members entitled to but not receiving benefits .....	1
Active plan members .....	20

Benefits Provided – All benefits are 100% vested after ten years of credited service. Normal retirement is the earlier of 20 years of credited service regardless of age, or age 52 and 10 years of credited service (5 years of credited services for members hired prior to October 1, 1998). Members who have attained age 45 and 10 years of credited service (5 years of credited service for members hired prior to October 1, 1998) are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3% of the average final compensation (AFC), which is the highest 3 years out of the last 10 years of credited service immediately preceding termination or retirement times credited service. The maximum benefit is 90% of AFC. The plan provides for an annual 3% cost of living adjustment for the life of all retirees and certain beneficiaries who retire after September 1, 1998).

Cost of living adjustments will be made on the first October following the normal retirement date for retirees and the first of October following the date the member would have had 20 years of credited service had they not become disabled.

Contributions – The City Council establishes and may amend the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. The PORTF, beginning fiscal year 2014, no longer receives a portion of a .85% tax on all premiums collected on casualty insurance policies on property within the City because the City closed the plan. Administrative costs for each plan are financed through investment earnings. Covered employees contribute 5% of their salary. The City's actuarially required contribution for the year ended September 30, 2018 was \$374,381. Actual contributions for the year equaled \$374,381, or 100% of the required contributions.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 – PENSION PLANS: (continued)**

Deferred Retired Option Program (DROP) – Plan member are eligible to participate in the DROP upon satisfaction of normal retirement requirements (20 years of credited service regardless of age, or age 52 and 10 years of credited service (5 years of credited service for members hired prior to October 1, 1998), with participation not to exceed 7 years. Members elect the rate of return to be credited to their DROP account as either the interest rate applicable to the Florida Retirement System DROP Plan for the immediately preceding calendar quarter, or the rate realized by the pension plan's trust fund.

The DROP balance as of September 30, 2018 is \$122,502.

**Net Pension Liability**

The City's net pension liability for the PORTF was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial assumptions – The total pension liability for September 30, 2017 and 2018 was determined by the following valuations and were rolled forward to the measurement date using the following actuarial methods and assumptions being applied to all measurement periods.

Liability measurement date	September 30, 2017	September 30, 2018
Valuation date	October 1, 2016	October 1, 2017
Actuarial cost method	Entry age normal	Entry age normal
Inflation	3.0%	2.5%
Salary increases	5.0%	5.0%
Investment rate of return	7.4%	7.3%

The retirement age used is an experienced based table of rates that are specific to the type of eligibility conditions.

For October 1, 2016 and October 1, 2017, the mortality table used was the fully generational RP-2000 Mortality Table for annuitants with future improvements in mortality projected to all future years using Scale BB.

The assumed real rate of return over inflation is defined to be the portion of total investment return that is more than the assumed inflation rate. Considering other economic assumptions, the 7.4% and 7.3% for September 30, 2017 and 2018 investment return rate translates to an assumed real rate of return over inflation of 4.4% and 4.8%, respectively.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 – PENSION PLANS: (continued)**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45%	7.5%
International equity	15%	8.5%
Domestic bonds	35%	2.5%
Real estate	5%	4.5%
	<u>100%</u>	

Money-weighted Rate of Return – For the year ended September 30, 2018 the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested, for the Plan was 7.26%.

Discount Rate - A single discount rate of 7.4% and 7.3% was used to measure the total pension liability at September 30, 2017 and 2018. This single discount rate was based on the expected rate of return on pension plan investments of 7.4% and 7.3%, respectively. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the plan member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.4%) and (7.3%), respectively was applied to all periods of projected benefit payments to determine the total pension liability.

The plan's net pension liability measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined as of that date.

Total pension liability	\$ 17,750,007
Plan fiduciary net position	<u>(17,307,954)</u>
Net pension liability	<u>\$ 442,053</u>
Plan fiduciary net position as a percentage of the total pension liability	97.51%

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 – PENSION PLANS: (continued)**

Changes in City's Net Pension Liability – Changes in the City's net pension liability for its reporting year ended September 30, 2018 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2017	\$ 17,072,018	\$ 16,300,314	\$ 771,704
Changes for the year:			
Service cost	335,631	-	335,631
Interest	1,252,158	-	1,252,158
Difference between actual and expected experience	(95,597)	-	(95,597)
Assumption changes	138,404	-	138,404
Contributions - City	-	421,046	(421,046)
Contributions - employee	-	55,039	(55,039)
Net investment income	-	1,836,151	(1,836,151)
Benefit payments, including refunds of employee contributions	(1,424,417)	(1,424,417)	-
Administrative expense	-	(31,475)	31,475
Net changes	206,179	856,344	(650,165)
Balances at September 30, 2018	\$ 17,278,197	\$ 17,156,658	\$ 121,539

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the plan's net pension liability, calculated at September 30, 2017 (the City's measurement date) and 2018, using the current discount rate of 7.4% and 7.3%, respectively, as well as what the plan's net pension liability (asset) would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate for each year:

Year Ending September 30,	1% Decrease	Current Discount Rate	1% Increase
Discount rate	6.4%	7.4%	8.4%
2017	\$ 2,434,864	\$ 121,539	\$ (1,740,067)
Discount rate	6.3%	7.3%	8.3%
2018	\$ 2,946,680	\$ 442,053	\$ (1,575,960)

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Pension Expense, Deferred Outflows and Inflows of Resources Related to POTRF – For the year ended September 30, 2018, the City recognized pension expense of \$289,978. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the POTRF from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 87,269
Changes in assumptions	72,497	-
Net difference between projected and actual earnings on plan investments	-	136,026
City contributions subsequent to the measurement date	374,381	-
Total	<u>\$ 446,878</u>	<u>\$ 223,295</u>

The deferred outflows of resources related to the POTRF, totaling \$374,381 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 POTRF will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2019	\$ (9,298)
2020	98,942
2021	(110,320)
2022	(130,122)

Payables to POTRF plan – At September 30, 2018, the City reported no payables for outstanding contributions.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Plan Fiduciary Net Position - The fiduciary net position for the plan is as follows:

CITY OF SEBRING, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
POLICE OFFICERS' RETIREMENT TRUST FUND  
SEPTEMBER 30, 2018

**Assets**

Cash and cash equivalents	\$ 307,280
Receivables:	
Interest and dividends	35,320
Partnership distribution	12,225
Other	3,504
Investments, at fair value:	
U.S government obligations	2,379,680
Mortgage backed securities	552,802
Corporate bonds	2,642,690
Common stock	5,870,829
Mutual funds - equities	4,502,482
Real estate partnership	<u>1,009,892</u>
Total Investments	<u>16,958,375</u>
 Total Assets	 <u>17,316,704</u>
 <b>Liabilities</b>	
Accounts payable	<u>8,750</u>
Total Liabilities	<u>8,750</u>
 <b>Net Position Restricted for Pensions</b>	 <u><u>\$ 17,307,954</u></u>

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Plan Changes in Fiduciary Net Position - The fiduciary changes in net position for the plan is as follows:

CITY OF SEBRING, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
POLICE OFFICERS' RETIREMENT TRUST FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**Additions**

Contributions:

City	\$ 374,381
Plan members	57,129
Total contributions	<u>431,510</u>

Investment income:

Net appreciation in fair value of investments	986,964
Interest and dividends	339,244
Other	14,240
	<u>1,340,448</u>
Less investment expenses	(62,406)
Net investment income	<u>1,278,042</u>
Total Additions	<u>1,709,552</u>

**Deductions**

Payments to retirees and participants	1,525,856
Administration expenses	32,400
Total Deductions	<u>1,558,256</u>

<b>Net Increase in Net Position</b>	<u>151,296</u>
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**Net Position Restricted for Pension:**

Beginning of Year	<u>17,156,658</u>
End of Year	<u>\$ 17,307,954</u>



**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

**Municipal Firefighters' Pension Plan (MFPP)**

Plan Description – All actively employed firefighters of the City's fire department who had 10 years or more of credited service on or before August 26, 2013, participate in the MFPP, a single-employer, defined benefit pension plan that was established by a special act of the State of Florida in 1959, Chapter 1860 and is currently governed by city ordinance as amended from time to time. The plan is closed to new members. MFPP provides retirement, disability, death benefits, and cost of living adjustments to plan members and their beneficiaries. The MFPP also has a deferred retirement option plan. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan. The MFPP is reported in the City's fiduciary financial statement as a pension trust fund.

The MFPP is administered by a five member Board of Trustees. The City Council appoints two of the members; two more members are elected by a majority of the other covered firefighters, and a fifth member is elected by the other four and appointed by the City Council.

Plan Membership - As of October 1, 2017, the members of the plan were as follows:

Inactive plan members or beneficiaries currently receiving benefits.....	22
Inactive plan members entitled to but not receiving benefits .....	2
Active plan members .....	4

Benefits Provided –Normal retirement is age 55 and 10 years of service, or 25 years of service, regardless of age. Members who have attained age 45 and 10 years of credited service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3% of average final compensation times credited service, to a maximum of 90% of average final compensation. The minimum benefit is 2% of average final compensation times credited service. Retired members who were employed prior to June 30, 1971, receive a 4% annual cost of living adjustment. Retired members who were employed after June 30, 1971, receive a 3% annual increase. Cost of living adjustments are made each year on the first of October.

Contributions - The City Council establishes and may amend the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. The MFPP, beginning fiscal year 2014, no longer receives a portion of a 1.85% tax on all premiums collected on property insurance policies covering property within the City because the City closed the plan. Administrative costs for each plan are financed through investment earnings. Plan members contribute 6.5% of their salary. The City's actuarially required contribution for the year ended September 30, 2018 was \$620,151. Actual contributions for the year equaled \$620,151 or 100% of the required contribution.

Deferred Retired Option Program (DROP) – Plan members are eligible to participate in the DROP upon satisfaction of normal retirement requirements (earlier of age 55 and 10 years of credited service, or 25 years of credited service, regardless of age) with participation not to exceed five years. The rate of return is the interest rate applicable to the Florida Retirement System DROP Plan for the immediately preceding calendar quarter.

As of September 30, 2018 there are no outstanding DROP balances.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

**Net Pension Liability**

The City's net pension liability for the MFPP was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial assumptions – The total pension liability for September 30, 2017 and 2018 was determined by the following actuarial valuations were rolled forward to the measurement date using the following actuarial methods and assumptions being applied to the measurement period.

Liability measurement date Valuation date	September 30, 2017 October 1, 2016	September 30, 2018 October 1, 2017
Inflation	2.5%	2.5%
Salary increases	7.0%	7.0%
Discount rate	7.8%	7.7%
Investment rate of return	7.8%	7.7%

The mortality table used was the RP-2000 Combined Healthy Sex Distinct and disabled lives are set forward five years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic equity	45%	7.5%
International equity	15%	8.5%
Domestic fixed income	35%	2.5%
Real estate	5%	4.5%
Total	100%	

Money-weighted Rate of Return – For the year ended September 30, 2018 the annual money-weighted rate of return on plan investments, net of investment expenses, was 7.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Discount Rate – The discount rate used to measure the total pension liability was 7.8% and 7.7% at September 30, 2017 and 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The plan's net pension liability measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined as of that date is as follows:

Total pension liability	\$ 16,221,764
Plan fiduciary net position	<u>(13,251,274)</u>
Net pension liability	<u><u>\$ 2,970,490</u></u>
Plan fiduciary net position as a percentage of the total pension liability	81.69%

Changes in City's Net Pension Liability – Changes in the City's net pension liability for the MFPP for the year ended September 30, 2018 were as follow:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	\$ 15,179,515	\$ 12,269,347	\$ 2,910,168
Changes for the year:			
Service cost	133,362	-	133,362
Interest	1,163,405	-	1,163,405
Difference between actual and expected experience	164,277		
Change in assumptions	189,466	-	189,466
Contributions - City	-	419,641	(419,641)
Contributions - employee	-	17,940	(17,940)
Net investment income	-	1,242,879	(1,242,879)
Benefit payments, including refunds of employee contributions	(1,172,457)	(1,172,457)	-
Administrative expense	-	(55,704)	55,704
Net changes	<u>478,053</u>	<u>452,299</u>	<u>25,754</u>
Balances at September 30, 2018	<u><u>\$ 15,657,568</u></u>	<u><u>\$ 12,721,646</u></u>	<u><u>\$ 2,935,922</u></u>

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the plan’s net pension liability calculated at September 30, 2017 (the City’s measurement date) and 2018 using the current discount rate of 7.8% and 7.7%, respectively, as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Year Ending September 30,	1% Decrease	Current Discount Rate	1% Increase
Discount rate	6.8%	7.8%	8.8%
2017	\$ 4,930,265	\$ 2,935,922	\$ 1,371,552
Discount rate	6.7%	7.7%	8.7%
2018	\$ 4,940,519	\$ 2,970,490	\$ 1,352,694

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended September 30, 2018, the City recognized pension expense of \$1,243,476. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the MFPP from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 127,543	\$ -
City contributions subsequent to the measurement date	620,151	-
Total	<u>\$ 747,694</u>	<u>\$ -</u>

The deferred outflows of resources related to the MFPP, totaling \$620,151 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources related to the MFPP will be recognized as an increase in pension expense as follows:

Year ending September 30,	Amount
2019	\$ 128,277
2020	119,473
2021	(58,579)
2022	(61,628)

Payables to MFPP plan – At September 30, 2018, the City reported no payables for outstanding contributions.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Plan Fiduciary Net Position - The fiduciary net position for the plan is as follows:

CITY OF SEBRING, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
MUNICIPAL FIREFIGHTERS' PENSION PLAN  
SEPTEMBER 30, 2018

**Assets**

Cash and cash equivalents	\$ 1,333,628
Receivables:	
Interest and dividends	42,525
Investments, at fair value:	
U.S. government obligations	802,401
Mortgage backed securities	1,161,540
Collateralized mortgage obligations	113,979
Municipal obligations	20,671
Corporate bonds	2,407,355
Common stock	1,832,764
Mutual funds - equities	<u>5,557,022</u>
Total Investments	<u>11,895,732</u>
Total Assets	<u>13,271,885</u>
<b>Liabilities</b>	
Accounts payable	<u>20,611</u>
Total Liabilities	<u>20,611</u>
<b>Net Position Restricted for Pensions</b>	<u><u>\$ 13,251,274</u></u>

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Plan Changes in Fiduciary Net Position - The fiduciary changes in net position for the plan is as follows:

CITY OF SEBRING, FLORIDA	
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	
MUNICIPAL FIREFIGHTERS PENSION PLAN	
FOR THE YEAR ENDED SEPTEMBER 30, 2018	
<b>Additions</b>	
Contributions:	
City	\$ 620,151
Plan members	17,129
Total contributions	<u>637,280</u>
Investment income:	
Net appreciation in fair value	
of investments	582,699
Interest and dividends	352,030
	<u>934,729</u>
Less investment expenses	<u>(64,862)</u>
Net investment income	<u>869,867</u>
Total Additions	<u>1,507,147</u>
<b>Deductions</b>	
Payments to retirees and participants	933,231
Administration expenses	44,288
Total Deductions	<u>977,519</u>
<b>Net Increase in Net Position</b>	<u>529,628</u>
<b>Net Position Restricted for Pensions:</b>	
Beginning of Year	<u>12,721,646</u>
End of Year	<u>\$ 13,251,274</u>

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

**Florida Retirement System (FRS)**

**General Information about the FRS**

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

Essentially all regular employees of the City who are not covered by the Police Officer's Retirement System or the Firefighters' Retirement System are eligible to enroll as members of the State-administered FRS. Provisions related to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The City's pension expense for the three plans totaled \$1,512,793 for the fiscal year ended September 30, 2018.

**FRS Pension Plan**

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members employed as law enforcement officers, firefighters, firefighter trainers, or certain others who meet the criteria set forth in the FRS law and administrative rules.
- *Elected Officers' Class* – Member includes the City's elected City Clerk.
- *Deferred Retirement Option Program (DROP)* – Allows members of the FRS Pension Plan to elect to retire and have their FRS benefits accumulate in the FRS Trust Fund, earning interest, while the member continues to work for the City.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date.

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants. DROP, subject to provisions of section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 or more years of service	1.68
Regular Class members initially enrolled after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 or more years of service	1.68
Senior Management Service Class	2.00
Elected Officers' Class	3.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00



**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

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.

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the City’s current fiscal year were as follows:

Class	July 1, 2017		July 1, 2018	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.0%	7.92%	3.0%	8.26%
FRS, Senior Management Services	3.0%	22.71%	3.0%	24.06%
FRS, Elected Officers'	3.0%	45.50%	3.0%	48.70%
FRS, Special Risk Regular	3.0%	23.27%	3.0%	24.50%
FRS, DROP	0.0%	13.26%	0.0%	14.03%
FRS, Retiree not eligible	0.0%	4.96%	0.0%	5.16%

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the investment plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The City’s contributions to the Pension Plan totaled \$551,916 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 \$5,686,695 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 contributions received by FRS during the measurement period for employer payroll paid from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all participating employers. At June 30, 2018, the City’s proportionate share was 0.018879802 percent, which was an increase of 0.004156969 percent from its proportionate share measured as of June 30, 2017.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$1,270,542. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 481,748	\$ 17,485
Change of assumptions	1,858,135	-
Net difference between projected and actual earnings on Pension Plan investments	-	439,366
Changes in proportion and differences between City's Pension Plan contributions and proportionate share of contributions	1,361,137	7,619
Changes in proportion and differences between City's Pension Plan contributions and proportionate share of contributions between funds	253,253	253,253
City's Pension Plan contributions subsequent to the measurement date	135,354	-
Total	<u>\$4,089,627</u>	<u>\$ 717,723</u>

The deferred outflows of resources related to the Pension Plan, totaling \$135,354 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:

Year Ending September 30	Amount
2019	\$1,024,838
2020	778,339
2021	345,826
2022	607,267
2023	401,023
Thereafter	79,257

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION 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 July 1, 2016, 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, as outlined in the Plan's investment policy, 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	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Intermediate-Term Bonds	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	100.0%			
Assumed Inflation - Mean		2.6%		1.9%

Discount Rate - The discount rate used to measure the total pension liability was 7.0% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Pension Liability Sensitivity - The following represents the City's proportionate share of the net pension liability for the FRS Plan 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 10,378,455	\$ 5,686,695	\$ 1,789,909

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. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Payables to the Pension Plan - At September 30, 2018, the City reported no payables 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 plan fiscal year ended June 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, pursuant to Section 112.363, Florida Statutes. 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 rate was 1.66%. 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.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

The City's contributions to the HIS Plan totaled \$85,428 for the fiscal year ended September 30, 2018.

Pension Costs – At September 30, 2018, the City reported a liability of \$1,660,326 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 prepared as of July 1, 2017, and update procedures were used to determine the liability at June 30, 2018. The City's proportionate share of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all participating employers. At June 30, 2018, the City's proportionate share was 0.015686970 percent, which was an increase of 0.001973045 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$194,890. 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	\$ 25,419	\$ 2,821
Change of assumptions	184,649	175,544
Net difference between projected and actual earnings on HIS Plan investments	1,002	-
Changes in proportion and differences between City's HIS Plan contributions and proportionate share of contributions	405,450	9,903
Changes in proportion and differences between City's HIS Plan contributions and proportionate share of contributions between funds	91,392	91,392
City's HIS Plan contributions subsequent to the measurement date	19,592	-
Total	<u>\$ 727,504</u>	<u>\$ 279,660</u>

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

The deferred outflows of resources related to the HIS Plan, totaling \$19,592 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 as an increase in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 94,191
2020	94,107
2021	89,018
2022	78,377
2023	42,552
Thereafter	30,007

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2017, calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Discount rate	3.87%	3.58%
Inflation	2.60%	2.60%
Salary increases, including inflation	3.25%	3.25%
Municipal bond rate	3.87%	3.58%

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

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

Discount Rate - The discount rate used to measure the total pension liability was 3.58% for the HIS Plan. 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 discount rate used in the 2018 valuation was updated from 3.58% to 3.87%, reflecting the change in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was adopted as the applicable municipal bond index.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

Pension Liability Sensitivity - The following represents the City's proportionate share of the net pension liability for the HIS Plan, 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	\$ 1,891,015	\$ 1,660,326	\$ 1,468,035

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. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Payables to the HIS Plan - At September 30, 2018, the City reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

**FRS Investment Plan**

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the State Board of Administration (SBA), and is reported in the SBA annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees 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 and Senior Management Class), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members.

Allocations, including the employee's required 3% contribution, 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 6.3%, Senior Management Service class 7.67%, and Special Risk class 14.0%.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 12 – PENSION PLANS: (continued)**

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 \$47,361 for the fiscal year ended September 30, 2018 and at year end reported no payable for outstanding contributions to the Investment Plan.

**NOTE 13 – POSTEMPLOYMENT BENEFITS:**

Plan Description – The City of Sebring Other Postemployment Benefits Plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's medical, dental, and vision plan. The City subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher cost to the plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. The plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system (PERS) or another entity. The City Council has the authority to establish and amend benefit provisions of the plan.

Funding Policy – The contribution requirements of the City and plan members are established and may be amended through recommendations of the Insurance Committee and action from the City Council. The City has not advance funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. Retirees are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums.



**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 13 – POSTEMPLOYMENT BENEFITS: (continued)**

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	21
Active employees	145
Total	<u>166</u>

Total OPEB Liability – The City’s total OPEB liability of \$880,664 was measured as of September 30, 2018, and was determined by an actuarial valuation as of October 1, 2017. The beginning OPEB liability was increased by \$240,572 due to the adoption of GASB Statement No. 75.

Actuarial Assumption and Other Inputs – The total OPEB liability in the October 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal as a level percentage of payroll
Discount rate	3.9%
20-Year municipal bond rate	3.9%
Salary increases	3.5%
Mortality rates	RP 2014 Healthy Male and Female Tables based on the Combined Healthy Table for both pre and post-retirement
Healthcare cost trend rate	9.0%

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 and termination, mortality, and the healthcare cost trends.

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

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 13 – POSTEMPLOYMENT BENEFITS: (continued)**

Changes to the Total OPEB Liability – Below are the details regarding the total OPEB liability for the measurement period from September 30, 2017 to September 30, 2018:

	Total OPEB Liability
Balance at September 30, 2017, as restated	\$ 938,373
Changes Recognized for the Fiscal Year:	
Service cost	12,659
Interest on the total OPEB liability	34,551
Benefit payments	(104,919)
Net changes	(57,709)
Balance at September 30, 2018	\$ 880,664

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability to the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount that is one percentage point lower (2.9%) or one percentage point higher (4.9%) than the current discount rate:

	1% Decrease (2.9%)	Current Discount Rate (3.9%)	1% Increase (4.9%)
Total OPEB liability	\$ 970,497	\$ 880,664	\$ 809,108

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

	1% Decrease (8.0%)	Current Discount Rate (9.0%)	1% Increase (10.0%)
Total OPEB liability	\$ 799,393	\$ 880,664	\$ 979,928

**NOTE 14 – CONTINGENCIES:**

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In the opinion of the City’s management, legal counsel, and special legal counsel, these matters are not anticipated to have a material financial impact on the City.

**CITY OF SEBRING, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS:**

**Prior Period Restatement**

The beginning net position of the City was decreased by \$240,572 due to the implementation of GASB Statement No. 75. The City's total OPEB liability reported at September 30, 2017 increased by \$240,572 to \$938,373, as of October 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and the beginning balances for deferred outflows/inflows of resources were not restated.

**Correction of an Error**

During the year, the City discovered an error in how assets were set up and accounted for in its capital asset system. The error included depreciation not being recorded for assets being transferred into service from construction in progress in the Governmental Activities. This correction resulted in the beginning net position and capital assets of the Governmental Activities at October 1, 2017 decreasing \$323,574, consisting of an increase of \$45,790 accumulated depreciation for improvements other than buildings and an increase of \$277,784 accumulated depreciation for infrastructure.

	Governmental Activities	Business-type Activities	Total
Beginning net position as previously reported at September 30, 2017	\$ 22,422,135	\$ 32,698,318	\$ 55,120,453
Prior period restatement - Implementation GASB 75:			
Net OPEB Obligation, September 30, 2017, previously reported	572,721	125,080	697,801
Net OPEB Liability as restated, October 1, 2017	<u>745,650</u>	<u>192,723</u>	<u>938,373</u>
Prior period restatement	(172,929)	(67,643)	(240,572)
Correction of error	<u>(323,574)</u>	<u>-</u>	<u>(323,574)</u>
Total prior period adjustment	<u>(496,503)</u>	<u>(67,643)</u>	<u>(564,146)</u>
Net position as restated, October 1, 2017	<u><u>\$ 21,925,632</u></u>	<u><u>\$ 32,630,675</u></u>	<u><u>\$ 54,556,307</u></u>

**CITY OF SEBRING, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION -  
POLICE OFFICERS' RETIREMENT TRUST FUND  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
(UNAUDITED)

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 363,014	\$ 335,631	\$ 347,080	\$ 368,970	\$ 363,710
Interest on total pension liability	1,248,993	1,252,158	1,215,355	1,128,981	1,040,362
Differences between expected and actual experience	164,104	(95,597)	(223,168)	(73,552)	(8,567)
Benefit payments, including refunds of member contributions	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Changes in assumptions	221,555	138,404	-	-	-
Net change in total pension liability	471,810	206,179	1,089,451	1,172,534	1,163,699
Total pension liability, beginning	17,278,197	17,072,018	15,982,567	14,810,033	13,646,334
Total pension liability, ending	<u>\$ 17,750,007</u>	<u>\$ 17,278,197</u>	<u>\$ 17,072,018</u>	<u>\$ 15,982,567</u>	<u>\$ 14,810,033</u>
Plan fiduciary net pension					
Contributions - City	\$ 374,381	\$ 421,046	\$ 509,592	\$ 575,679	\$ 632,015
Contributions - member	57,129	55,039	52,066	56,311	56,214
Net investment income	1,278,042	1,836,151	1,053,029	67,689	1,414,767
Benefit payments, including refunds of member contributions	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Administrative expenses	(32,400)	(31,475)	(28,658)	(22,296)	(16,786)
Net change in plan fiduciary net pension	151,296	856,344	1,336,213	425,518	1,854,404
Plan fiduciary net position, beginning	17,156,658	16,300,314	14,964,101	14,538,583	12,684,179
Plan fiduciary net position, ending	<u>\$ 17,307,954</u>	<u>\$ 17,156,658</u>	<u>\$ 16,300,314</u>	<u>\$ 14,964,101</u>	<u>\$ 14,538,583</u>
City's net pension (asset) liability	<u>\$ 442,053</u>	<u>\$ 121,539</u>	<u>\$ 771,704</u>	<u>\$ 1,018,466</u>	<u>\$ 271,450</u>
Plan fiduciary net position as a percentage of the total pension liability	97.51%	99.30%	95.48%	93.63%	98.17%
Covered employee payroll	\$ 1,142,576	\$ 1,100,788	\$ 1,041,328	\$ 1,128,134	\$ 1,123,880
City's net pension liability as a percentage of covered employee payroll	38.69%	11.04%	74.11%	90.28%	24.15%

**Notes to Schedule**

There have been no changes in benefits.

*Change of assumptions:*

The investment return assumption was lowered from 7.5% to 7.4% effective October 1, 2016 and to 7.3% on October 1, 2017. This assumption will be reduced by 0.1% each future year until 7.0% is reached.

In addition, the mortality assumption was changed from the RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected to all future years after 2000 using Scale AA to the mortality assumption used by the Florida Retirement System (FRS) for Special Risk Class members in their actuarial valuation as of July 1, 2016. The current FRS mortality tables are the RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditor's Report

**CITY OF SEBRING, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION -**  
**POLICE OFFICERS' RETIREMENT TRUST FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
**(UNAUDITED)**

**Schedule of Employer Contributions**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 374,381	\$ 421,046	\$ 509,592	\$ 602,818	\$ 604,876
Contributions in relation to the					
actuarially determined contribution	374,381	421,046	509,592	575,679	632,015
Contributions excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,139</u>	<u>\$ (27,139)</u>
Covered-employee payroll	\$1,142,576	\$1,100,788	\$1,041,328	\$1,128,134	\$1,123,880
Contributions as a percentage of					
covered-employee payroll	32.77%	38.25%	48.94%	51.03%	56.24%

**Notes to Schedule**

Valuation date October 1, 2016

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

Methods and assumptions used to determine contribution amounts:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	3.0% per year
Salary increases, including inflation	5.0%
Investment rate of return	7.4%
Retirement age	Experience-base table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.
Cost-of-living adjustments	3.0% effective each October 1 for service retirees who retire after 9/1/98.

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditor's Report

**CITY OF SEBRING, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION -**  
**POLICE OFFICERS' RETIREMENT TRUST FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
**(UNAUDITED)**

**Schedule of Investment Returns**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	7.26%	8.67%	7.72%	0.24%	7.67%

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditor's Report

**CITY OF SEBRING, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION -  
MUNICIPAL FIREFIGHTERS' PENSION PLAN  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
(UNAUDITED)

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 105,733	\$ 133,362	\$ 124,309	\$ 122,248	\$ 133,195
Interest on total pension liability	1,193,050	1,163,405	1,089,417	1,089,014	1,070,745
Differences between expected and actual experience	24,883	164,277	(142,772)	(347,147)	-
Benefit payments, including refunds of member contributions	(935,564)	(1,172,457)	(854,991)	(867,149)	(1,011,803)
Changes in assumptions	176,094	189,466	866,110	-	151,324
Net change in total pension liability	564,196	478,053	1,082,073	(3,034)	343,461
Total pension liability, beginning	15,657,568	15,179,515	14,097,442	14,100,476	13,757,015
Total pension liability, ending	<u>\$ 16,221,764</u>	<u>\$ 15,657,568</u>	<u>\$ 15,179,515</u>	<u>\$ 14,097,442</u>	<u>\$ 14,100,476</u>
Plan fiduciary net pension					
Contributions - City	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions - member	17,129	17,940	22,149	21,222	20,518
Net investment income	869,867	1,242,879	895,002	42,513	856,594
Benefit payments, including refunds of member contributions	(933,231)	(1,172,457)	(854,991)	(867,149)	(1,011,803)
Administrative expenses	(44,288)	(55,704)	(36,940)	(17,129)	(29,663)
Net change in plan fiduciary net pension	529,628	452,299	506,125	(221,334)	516,845
Plan fiduciary net position, beginning	12,721,646	12,269,347	11,763,222	11,984,556	11,467,711
Plan fiduciary net position, ending	<u>\$ 13,251,274</u>	<u>\$ 12,721,646</u>	<u>\$ 12,269,347</u>	<u>\$ 11,763,222</u>	<u>\$ 11,984,556</u>
City's net pension liability	<u>\$ 2,970,490</u>	<u>\$ 2,935,922</u>	<u>\$ 2,910,168</u>	<u>\$ 2,334,220</u>	<u>\$ 2,115,920</u>
Plan fiduciary net position as a percentage of the total pension liability	81.69%	81.25%	80.83%	83.44%	84.99%
Covered employee payroll	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
City's net pension liability as a percentage of covered employee payroll	1127.23%	1011.71%	854.06%	697.39%	670.31%

**Notes to Schedule**

*Change in assumptions:*

Investment rate of return	7.7%	7.8%	7.9%	8.0%	8.0%
Change in rate	(0.1%)	(0.1%)	(0.1%)	-	-

For the year 2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report.

For the year 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditor's Report

**CITY OF SEBRING, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION -**  
**MUNICIPAL FIREFIGHTERS' PENSION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
**(UNAUDITED)**

**Schedule of Employer Contributions**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions in relation to the actuarially determined contribution	620,151	419,641	480,905	599,209	681,199
Contributions excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
Contributions as a percentage of covered-employee payroll	235.33%	144.61%	141.13%	179.02%	215.80%

**Notes to Schedule**

Valuation date October 1, 2016

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

**Methods and assumptions used to determine contribution amounts:**

Funding method Frozen Entry Age Actuarial Cost Method. The following loads are utilized for determination to the actuarially determined contribution:  
Interest - A half-year, based on the investment return assumption.  
Salary - a full-year, based on the current 7.0% assumptions.

Amortization method Level % of pay, closed  
Remaining amortization period 26 years as of 10/1/2016 valuation

Actuarial asset method The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value returns (net of fees). Over time, this may result in an insignificant bias above or below the Market Value of Assets.

Interest rate 7.9% per year compounded annually, net of investment related expenses.  
Salary increases 7.0% per year to the assumed retirement age. Projected salary at retirement is increased based on pensionable lump sums provided by the City.

Payroll growth None

Cost-of-living adjustments Hired before 6/30/71 - 4% per year following commencement of benefits.  
Hired after 6/30/71 - 3% per year following commencement of benefits.

Retirement age Earlier of age 55 and 10 years of service or 25 years of service regardless of age.  
Early retirement Commencing at the member's eligibility for Early Retirement (age 45).

Termination rates See table below.

Disability rates See table below. It is assumed that 75% of disability retirees and active member deaths that occur are service related.

Mortality *Healthy Lives:*  
Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB  
Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB  
*Disabled Lives:*  
Male: 60% RP2000 Disabled Male setback 4 years/40% Annuitant White Collar with no setback, no projection scale  
Female: 60% RP2000 Disabled Female set forward 2 years/40% Annuitant White Collar with no setback, no projection scale

Other information Termination and Disability Rate Table.

Age	Percent Terminating	% Becoming Disabled
20	3.0%	0.14%
30	2.5%	0.18%
40	1.3%	0.30%
50	0.5%	1.00%

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditor's Report



**CITY OF SEBRING, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION -**  
**MUNICIPAL FIREFIGHTERS' PENSION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
**(UNAUDITED)**

**Schedule of Investment Returns**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	7.12%	10.32%	7.61%	0.35%	7.63%

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**CITY OF SEBRING, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FLORIDA RETIREMENT SYSTEM PENSION PLAN  
FOR THE YEAR ENDED 2018\*  
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability*	0.0188798%	0.0147228%	0.0081646%	0.0080385%
City's proportionate share of the net pension liability*	\$5,686,695	\$4,354,915	\$2,061,574	\$1,038,279
City's covered - employee payroll*	\$5,123,628	\$4,372,065	\$3,458,477	\$3,096,064
City's proportionate share of the net pension liability as a percentage of its covered - employee payroll	110.99%	99.61%	59.61%	33.54%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%

\*The amounts presented for each fiscal year were determined as of June 30

*Note: Schedule is intended to show information for 10 years. Additional years  
will be displayed as they become available.*

See Independent Auditor's Report

**CITY OF SEBRING, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM PENSION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30,  
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 551,916	\$ 448,924	\$ 195,367	\$ 195,985
Contributions in relation to the contractually required contribution	<u>551,916</u>	<u>448,924</u>	<u>195,367</u>	<u>195,985</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered - employee payroll	\$5,146,259	\$4,734,451	\$3,403,190	\$3,105,524
Contributions as a percentage of covered - employee payroll	10.72%	9.48%	5.74%	6.31%

\*The amounts presented for each fiscal year were determined as of September 30

*Note: Schedule is intended to show information for 10 years. Additional years  
will be displayed as they become available.*

**CITY OF SEBRING, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
HEALTH INSURANCE SUBSIDY PROGRAM  
FOR THE YEAR ENDED 2018\*  
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability*	0.0156870%	0.0137139%	0.0111960%	0.0102051%
City's proportionate share of the net pension liability*	\$1,660,326	\$1,466,356	\$1,304,843	\$1,040,764
City's covered - employee payroll*	\$5,123,628	\$4,372,065	\$3,458,477	\$3,105,524
City's proportionate share of the net pension liability as a percentage of its covered - employee payroll	32.41%	33.54%	37.73%	33.51%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

\*The amounts presented for each fiscal year were determined as of June 30

*Note: Schedule is intended to show information for 10 years. Additional years  
will be displayed as they become available.*

See Independent Auditor's Report

**CITY OF SEBRING, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S CONTRIBUTIONS  
HEALTH INSURANCE SUBSIDY PROGRAM  
FOR THE YEAR ENDED SEPTEMBER 30,  
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 85,428	\$ 78,596	\$ 56,493	\$ 39,010
Contributions in relation to the contractually required contribution	<u>85,428</u>	<u>78,596</u>	<u>56,493</u>	<u>39,010</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered - employee payroll	\$5,146,259	\$4,734,451	\$3,403,190	\$3,105,524
Contributions as a percentage of covered - employee payroll	1.66%	1.66%	1.66%	1.26%

\*The amounts presented for each fiscal year were determined as of September 30

*Note: Schedule is intended to show information for 10 years. Additional years  
will be displayed as they become available.*

**CITY OF SEBRING, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S  
TOTAL OTHER POST EMPLOYMENT BENEFITS  
LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30,  
(UNAUDITED)

	<u><b>2018</b></u>
Total OPEB Liability	
Service cost	\$ 12,659
Interest on the total OPEB liability	34,551
Benefit payments	<u>(104,919)</u>
Net change in total OPEB liability	(57,709)
Total OPEB liability - beginning, as restated	<u>938,373</u>
Total OPEB liability - ending	<u><u>\$ 880,664</u></u>
Covered-employee payroll	\$ 6,007,527
Total OPEB liability as a percentage of covered-employee payroll	14.66%

\*The amounts presented for each fiscal year were determined as of September 30

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**CITY OF SEBRING, FLORIDA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2018**

	<b>Internal Service Funds</b>		
	<b>Health</b>	<b>Risk</b>	
	<b>Insurance</b>	<b>Insurance</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 1,206,238	\$ 115,510	\$ 1,321,748
Receivables, net	655,220	4,460	659,680
Total Current Assets	1,861,458	119,970	1,981,428
<b>Total Assets</b>	<b>1,861,458</b>	<b>119,970</b>	<b>1,981,428</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	882,398	2,077	884,475
Accrued expenses	25,000	-	25,000
Unearned revenue	1,895	-	1,895
Total Current Liabilities	909,293	2,077	911,370
<b>Total Liabilities</b>	<b>909,293</b>	<b>2,077</b>	<b>911,370</b>
<b>Net Position</b>			
Unrestricted	952,165	117,893	1,070,058
<b>Total Net Position</b>	<b>\$ 952,165</b>	<b>\$ 117,893</b>	<b>\$ 1,070,058</b>

See Independent Auditor's Report

**CITY OF SEBRING, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Internal Service Funds</b>		
	<b>Health Insurance</b>	<b>Risk Insurance</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for service	\$ 2,329,903	\$ 757,237	\$ 3,087,140
<b>Operating Expenses</b>			
General and administrative	6,280	-	6,280
Professional	74,226	-	74,226
Insurance	440,125	609,762	1,049,887
Claims expense	1,958,039	35,542	1,993,581
<b>Total Operating Expenses</b>	<u>2,478,670</u>	<u>645,304</u>	<u>3,123,974</u>
<b>Operating Income (Loss)</b>	<u>(148,767)</u>	<u>111,933</u>	<u>(36,834)</u>
<b>Nonoperating Revenues</b>			
Investment earnings	17,952	5,960	23,912
<b>Total Nonoperating Revenues</b>	<u>17,952</u>	<u>5,960</u>	<u>23,912</u>
<b>Change in Net Position</b>	(130,815)	117,893	(12,922)
<b>Total Net Position, beginning of year</b>	<u>1,082,980</u>	<u>-</u>	<u>1,082,980</u>
<b>Total Net Position, end of year</b>	<u>\$ 952,165</u>	<u>\$ 117,893</u>	<u>\$ 1,070,058</u>

See Independent Auditor's Report



**CITY OF SEBRING, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Internal Service Funds</b>		
	<b>Health Insurance</b>	<b>Risk Insurance</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Cash received from interfund services	\$ 2,173,767	\$ 752,777	\$ 2,926,544
Cash received from reinsurance	619,033	-	619,033
Cash payments to vendors	(2,984,540)	(643,227)	(3,627,767)
Net cash provided (used) by operating activities	(191,740)	109,550	(82,190)
<b>Cash Flows From Investing Activities:</b>			
Interest on investments	17,952	5,960	23,912
Net cash provided by investing activities	17,952	5,960	23,912
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(173,788)	115,510	(58,278)
<b>Cash and Cash Equivalents, beginning of year</b>	1,380,026	-	1,380,026
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 1,206,238</u>	<u>\$ 115,510</u>	<u>\$ 1,321,748</u>

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided (Used) by Operating Activities**

	<b>Internal Service Funds</b>		
	<b>Health Insurance</b>	<b>Risk Insurance</b>	<b>Total</b>
<b>Operating Income (Loss)</b>	<u>\$ (148,767)</u>	<u>\$ 111,933</u>	<u>\$ (36,834)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
(Increase) in accounts receivable	(509,059)	(4,460)	(513,519)
Increase in accounts payable	788,990	2,077	791,067
Decrease in accrued expenses	(166,768)	-	(166,768)
Decrease in due to other funds	(153,148)	-	(153,148)
Decrease in due to component unit	(2,082)	-	(2,082)
Decrease in unearned revenue	(906)	-	(906)
Total adjustments	(42,973)	(2,383)	(45,356)
Net cash provided (used) by operating activities	<u>\$ (191,740)</u>	<u>\$ 109,550</u>	<u>\$ (82,190)</u>

See Independent Auditor's Report

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

Honorable Mayor and Members of the City Council  
City of Sebring, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Sebring, Florida's basic financial statements and have issued our report thereon dated May 20, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Sebring, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sebring, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sebring, Florida's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness, 2018-001.

### **Compliance and Other Matters**

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

### **City of Sebring, Florida's Response to Finding**

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

### **Purpose of this Report**

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

Wicks, Brown, Williams & Co. CPA's LLP  
Wicks, Brown, Williams & Co., CPA's LLP  
Sebring, Florida

May 20, 2019

**CITY OF SEBRING, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**STATUS OF PRIOR YEAR FINDINGS**

Prior Year Findings		Current Year Status			Current Year Finding #	2016-2017 Year Finding #
		Cleared	Partially Cleared	Not Cleared		
Accounting for Capital Assets	Internal Control			X	2018-001	2017-001

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**Material Weakness**

**Finding 2018-001 – Accounting for Capital Assets:**

**Condition:** During the current year audit, it was determined that certain capital assets that were placed into service in prior fiscal years were not being depreciated.

**Criteria:** Internal controls over capital assets include a review of asset additions and depreciation expense by someone other than the individual accounting for the activity.

**Effect:** An inadequate review of the accounting for capital assets resulted in a cumulative overstatement of capital assets of \$323,574, and an understatement of depreciation expense in prior years.

**Cause:** Depreciation expense is not calculated on assets that are reported as construction in progress in the City's capital asset system because of the setting in the accounting program. However, when the asset was placed in service and transferred from construction in progress the setting to generate depreciation expense was not turned on.

**Recommendation:** We recommend that someone independent of the accounting for capital assets review asset additions and depreciation expense being recorded to ensure amounts are properly reported.

**Views of Responsible Officials:** Management agrees with the finding and will continue reviewing new asset additions.

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## MANAGEMENT LETTER

Honorable Mayor, Members of the City Council  
City of Sebring, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Sebring, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 20, 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 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 Accountant'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 20, 2019, should be considered in conjunction with this management letter.

### Prior Year Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective action has not been taken to address the finding related to accounting for capital assets and is noted again this year.

### **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. The City of Sebring, Florida was established by a special act of the State of Florida in 1925, Chapter 11158. The City is governed by both its charter, being the Laws of Florida 1929, Chapter 14311, as from time to time specifically amended by subsequent special acts and ordinances and other Florida Statutes that are applicable to municipalities. The 1929 Act was approved at a referendum held June 11, 1929. The City of Sebring included the following component unit:

Sebring Community Redevelopment Agency was created by City Ordinance Number 654 pursuant to Part III of chapter 163, Florida Statutes.

### **Financial Condition and Management**

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Sebring. It is management's responsibility to monitor the City of Sebring, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and 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.

### **Special District Component Units**

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit with the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### **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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Honorable Mayor, Members of the City Council (continued)

**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, and the audit committee, management, Members of the City Council, and City Clerk, and is not intended to be and should not be used by anyone other than these specified parties.

Wicks, Brown, Williams & Co. CPA's LLP  
Wicks, Brown, Williams & Co., CPA's LLP  
Sebring, Florida

May 20, 2019



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## INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor, Members of the City Council  
City of Sebring, Florida

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

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

In our opinion, the City of Sebring, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of the City Council and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

  
Wicks, Brown, Williams & Co., CPA's LLP  
Sebring, Florida

May 20, 2019