

CITY OF EDGEWOOD, FLORIDA

Annual Financial Report

September 30, 2019

(With Independent Auditors' Report Thereon)

CITY OF EDGEWOOD, FLORIDA

**ANNUAL FINANCIAL REPORT
AND AUDITORS' REPORT**

SEPTEMBER 30, 2019

CITY COUNCIL AND OFFICIALS

Richard Horn	- Council Member & President
Ben Pierce	- Council President Pro-Tem
Susan Fortini	- Council Member
Lee Chotas	- Council Member
Chris Rader	- Council Member
John Dowless	- Mayor
Bea Meeks	- City Clerk
John Freeburg	- Police Chief
Drew Smith	- City Attorney

AUDITOR
Holland & Reilly
Certified Public Accountants

CITY OF EDGEWOOD, FLORIDA

**ANNUAL FINANCIAL REPORT AND AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2019**

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FINANCIAL SECTION

This section contains the following subsections:

- **REPORT OF INDEPENDENT AUDITORS**
- **MANAGEMENT'S DISCUSSION AND ANALYSIS**
- **BASIC FINANCIAL STATEMENTS**
- **NOTES TO THE FINANCIAL STATEMENTS**

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CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Edgewood, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the City of Edgewood, Florida (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the City of Edgewood, Florida as of September 30, 2019 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability – Florida Retirement System and Health Insurance Subsidy Program, and schedule of pension contributions – Florida Retirement System and Health Insurance Subsidy Program on pages 3 through 8 and 33 through 38, respectively 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control over financial reporting and compliance.

Holland & Rieilly

March 31, 2020
Orlando, Florida

CITY OF EDGEWOOD, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2019

As management of the City of Edgewood, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,886,745 (net position). Of this amount, \$971,838 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- During the fiscal year the City's total net position decreased by (\$119,351), compared to the prior year decrease of (\$560,613).
- The City's cash and cash equivalents balance was \$3,117,715, representing a \$338,577 increase from the prior year.
- The City's capital outlays for fiscal year 2019 were \$64,497. In addition, the City entered into capital leases for the acquisition of four police vehicles totaling \$112,565. Thus, the City's increase in capital assets totaled \$177,062.
- The City's Red Light Citation program generated an excess of revenues over expenditures of \$173,526.
- The City has a net pension liability of \$2,419,067, an increase of \$340,046 from the prior year.

Overview of the Financial Statement

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, physical environment, and highways and streets.

The Government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has only governmental funds (both major funds) – the General Fund and a special revenue fund – the Roads and Streets Fund.

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 *balance of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City adopts an annual appropriated budget for its General Fund and special revenue fund. A budgetary comparison statement has been provided for the General Fund and Roads and Streets Fund as required supplementary information.

The basic governmental fund financial statements can be found on pages 12 to 15 of this report.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 31 of this report.

Government-wide Financial Analysis

Statement of Net Position September 30, 2019 and 2018

	<u>Governmental activities</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 3,434,498	2,989,796
Noncurrent assets (capital assets)	2,696,097	2,755,134
Deferred outflows of resources	859,665	905,769
Total assets and deferred outflows of resources	<u>6,990,260</u>	<u>6,650,699</u>
Current liabilities	265,659	168,006
Noncurrent liabilities	2,612,889	2,181,443
Deferred inflows of resources	224,967	295,154
Total liabilities and deferred inflows of resources	<u>\$ 3,103,515</u>	<u>2,644,603</u>
Net position:		
Net investment in capital assets	2,583,532	2,755,134
Restricted	331,375	269,413
Unrestricted	971,838	981,549
Total net position	<u>\$ 3,886,745</u>	<u>4,006,096</u>

\$2,583,532 or 66% of the City's net position is reflected in net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure). The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City has no outstanding related debt, the investment in its capital assets would be reported net of any related debt. It should be noted that the resources needed to repay any of this debt would be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$331,375 or 9%, of the City's net position represents resources that are subject to restrictions on how they may be used, primarily for law enforcement, storm water and road projects. Unrestricted net position of \$971,838 or 25% may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2019, 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 governmental activities.

Changes in Net Position
For the years ended September 30, 2019 and 2018

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues		
Charges for services	\$ 796,009	586,424
Operating grants and contributions	1,000	-
Capital grants and contributions	10,000	5,049
Total program revenues	<u>807,009</u>	<u>591,473</u>
General revenues		
Property taxes	1,648,780	1,535,842
Sales and gas taxes	678,253	663,327
Franchise and utility taxes	742,721	709,111
Investment earnings	15,550	13,881
Impact fees	-	8,219
Miscellaneous revenue	117,196	62,318
Gain (loss) on sale of capital assets	8,196	(6,711)
Total general revenues	<u>3,210,696</u>	<u>2,985,987</u>
Total revenues	<u>4,017,705</u>	<u>3,577,460</u>
Expenses:		
General government	667,712	717,202
Public safety	2,904,545	2,646,986
Highways and streets	289,496	496,828
Physical environment	275,303	277,057
Total expenses	<u>4,137,056</u>	<u>4,138,073</u>
Increase (decrease) in net position	(119,351)	(560,613)
Net position - beginning	4,006,096	4,566,709
Net position - ending	<u>\$ 3,886,745</u>	<u>4,006,096</u>

During the fiscal year 2019, the City's net position decreased by (\$119,351) compared to a (\$560,613) decrease in the prior year. The decrease is primarily due to an increase in Red Light Citation revenue as one of the traffic lights that was inoperable in the prior year came back on-line in fiscal year 2019, as well as a reduction in expenditures for repairs and maintenance on the City's streets and roads.

The following table represents the composition of governmental activities revenue and percentages in relation to total governmental activities:

	<u>2019</u>		<u>2018</u>	
Charges for services	\$ 796,009	20%	16%	
Grants and contributions	11,000	-	-	
Property taxes	1,648,780	41%	43%	
Sales and gas taxes	678,253	17%	19%	
Franchise and utility taxes	742,721	19%	20%	
Investment earnings	15,550	-	-	
Other revenues	<u>125,392</u>	<u>3%</u>	<u>2%</u>	
	<u><u>\$ 4,017,705</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>	

Relevant Financial Policies – The City's management has reviewed several GASB Statements that became effective this year (see Note 14) and has made the determination that none of these pronouncements have any discernable impact on these financial statements.

Fund Financial Statements

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 of Edgewood, Florida'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 of Edgewood, Florida's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,193,962.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,767,383. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 80% or approximately 9 1/2 months of total General Fund expenditures and transfers.

General Fund Budgetary Highlights

The following information is presented to assist the reader in comparing actual results with budgetary amounts.

- Total revenues were \$372,644 greater than budgeted in the General Fund, primarily due to increases in franchise and utility taxes, court fines, and Red Light Citation revenues.
- Total expenditures and transfers were \$113,631 less than budgeted in the General Fund, primarily due to financial and administrative personal and operating expenditures, and public safety personal and operating expenditures being less than anticipated.

Capital Assets

	Capital Assets (net of depreciation)		Increase (Decrease)	Per- centage
	2019	2018		
Land	\$ 284,796	\$ 284,796	\$ -	
Building	274,335	303,489	(29,154)	(10%)
Machinery and equipment	347,976	270,024	77,952	29%
Infrastructure	1,788,990	1,896,825	(107,835)	(6%)
Total capital assets	<u>\$ 2,696,097</u>	<u>\$ 2,755,134</u>	<u>\$ (59,037)</u>	

The City's total investment in capital assets for its governmental activities as of September 30, 2019, amounted to \$2,696,097 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

During the year ended September 30, 2019, the City expended \$64,497 on capital assets, including \$42,679 for vehicles and other equipment for the police department, \$9,022 on computers, and \$12,796 for a messenger board, as well as incurring \$112,565 in capital leases for the acquisition of four vehicles for the police department.

For more detailed information regarding the City's capital assets, please refer to Note 6 to the financial statements.

Long-Term Obligations

The City entered into obligations under capital lease for four vehicles this year. The City has no other outstanding debt as the mortgage payable on City Hall was paid off during the year ended September 30, 2011.

The City has a net pension liability of \$2,419,067 at September 30, 2019, an increase of \$340,046 from the prior year.

For more detailed information regarding the City's long-term obligations, please refer to Notes 7 and 11 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The F/Y 19/20 budget of \$4,229,976 represents a 1.37% increase over the F/Y 18/19 budgeted expenditures.

Economic Factors and Next Year's Budgets and Rates – continued

- The F/Y 19/20 budget includes funding to support the increase in the Agreement with Orange County for fire rescue services, and for continued maintenance and repair of roads and streets including sidewalks.
- In March 2020, the United States of America experienced a nationwide crisis due to the pandemic caused by the coronavirus. It is unknown how long this pandemic will last or how it might impact the City. It is possible the City's F/Y 19/20 various revenues and expenditures will be adversely affected. The City will amend its F/Y 19/20 budget accordingly once the potential impacts to the City's revenues and expenditures are known.

Request for Information

This financial report is designed to provide a general overview of the City of Edgewood, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the management staff of the City of Edgewood, Florida.

BASIC FINANCIAL STATEMENTS

- Government-wide Financial Statements
- Fund Financial Statements

CITY OF EDGEWOOD, FLORIDA
Statement of Net Position
September 30, 2019

		<u>Primary Government Governmental Activities</u>
Assets		
Current assets:		
Cash and cash equivalents	\$	3,117,715
Receivables		71,800
Due from other governments		200,831
Prepaid items		44,152
Total current assets		<u>3,434,498</u>
Noncurrent assets:		
Capital assets, not being depreciated		
Land		284,796
Capital assets, net of accumulated depreciation		
Buildings		586,259
Machinery and equipment		980,532
Infrastructure		3,787,790
Less accumulated depreciation		<u>(2,943,280)</u>
Total noncurrent assets		<u>2,696,097</u>
Total assets		6,130,595
Deferred outflows of resources		<u>859,665</u>
Total assets and deferred outflows of resources	\$	<u><u>6,990,260</u></u>
Liabilities		
Current liabilities:		
Accounts payable		172,980
Accrued liabilities		36,429
Due to other governments		9,628
Unearned revenue		21,499
Current portion obligations under capital lease		25,123
Total current liabilities		<u>265,659</u>
Noncurrent liabilities:		
Compensated absences		106,380
Obligations under capital leases, net of current portion		87,442
Net pension liability		2,419,067
Total noncurrent liabilities		<u>2,612,889</u>
Total liabilities		2,878,548
Deferred inflows of resources		<u>224,967</u>
Total liabilities and deferred inflows of resources		<u>3,103,515</u>
Net Position		
Net investment in capital assets		2,583,532
Restricted for:		
Public safety		174,588
Road projects		132,819
Stormwater		23,968
Unrestricted		971,838
Total net position		<u>3,886,745</u>
Total liabilities, deferred inflows of resources, and net position	\$	<u><u>6,990,260</u></u>

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

CITY OF EDGEWOOD, FLORIDA
Statement of Activities
For the year ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary Government</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities:					
General government	\$ 667,712	86,045	1,000		(580,667)
Public safety	2,904,545	385,067		10,000	(2,509,478)
Highways and streets	289,496	28,760			(260,736)
Physical environment	275,303	296,137			20,834
Total governmental activities	<u>4,137,056</u>	<u>796,009</u>	<u>1,000</u>	<u>10,000</u>	<u>(3,330,047)</u>
Total primary government	\$ <u>4,137,056</u>	<u>796,009</u>	<u>1,000</u>	<u>10,000</u>	<u>(3,330,047)</u>
General Revenues:					
					1,648,780
					678,253
					742,721
					15,550
					117,196
					8,196
					<u>3,210,696</u>
					(119,351)
					4,006,096
					<u>\$ 3,886,745</u>

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

CITY OF EDGEWOOD, FLORIDA

Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Roads and Streets Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,037,904	79,811	3,117,715
Receivables	71,800		71,800
Due from other governments	93,767	107,064	200,831
Prepaid items	44,152		44,152
Total assets	<u>\$ 3,247,623</u>	<u>186,875</u>	<u>3,434,498</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	118,924	54,056	172,980
Accrued liabilities	36,429		36,429
Due to other governments	9,628		9,628
Unearned revenue	21,499		21,499
Total liabilities	<u>186,480</u>	<u>54,056</u>	<u>240,536</u>
Fund balances			
Nonspendable	44,152		44,152
Spendable			
Restricted	198,556	132,819	331,375
Committed	51,052		51,052
Unassigned	2,767,383		2,767,383
Total fund balances	<u>3,061,143</u>	<u>132,819</u>	<u>3,193,962</u>
Total liabilities and fund balances	<u>\$ 3,247,623</u>	<u>186,875</u>	<u>3,434,498</u>

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

CITY OF EDGEWOOD, FLORIDA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2019

Total Fund Balances \$ 3,193,962

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 5,639,377	
Less: accumulated depreciation	<u>(2,943,280)</u>	2,696,097

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	859,665	
Deferred inflows of resources related to pensions	<u>(224,967)</u>	634,698

Net pension liability obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,419,067)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds balance sheet.

Compensated absences	(106,380)	
Capital leases payable	<u>(112,565)</u>	<u>(218,945)</u>

Net Position of Governmental Activities \$ 3,886,745

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

CITY OF EDGEWOOD, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2019

	General Fund	Roads and Streets Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ 2,391,500	92,845	2,484,345
Licenses and permits	86,045		86,045
Intergovernmental	566,460	30,018	596,478
Charges for services	393,822		393,822
Fines and forfeitures	287,382		287,382
Investment earnings	15,491	59	15,550
Hurricane relief		104,475	104,475
Miscellaneous	21,053	28,760	49,813
Total revenues	<u>3,761,753</u>	<u>256,157</u>	<u>4,017,910</u>
Expenditures			
Current:			
General government	617,630		617,630
Public safety	2,506,647		2,506,647
Highways and streets		191,079	191,079
Physical environment	265,885		265,885
Capital outlay	64,497		64,497
Total expenditures	<u>3,454,659</u>	<u>191,079</u>	<u>3,645,738</u>
Excess of revenues over expenditures before transfers	307,094	65,078	372,172
Transfers	<u>(6,000)</u>	<u>6,000</u>	<u>-</u>
Excess of revenues and transfers over expenditures	301,094	71,078	372,172
Fund balance			
Beginning of year	<u>2,760,049</u>	<u>61,741</u>	<u>2,821,790</u>
End of year	<u>\$ 3,061,143</u>	<u>132,819</u>	<u>3,193,962</u>

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

CITY OF EDGEWOOD, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 372,172

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

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

Expenditures for capital assets	\$ 64,497	
Less: Current year depreciation	<u>(235,894)</u>	(171,397)

The net effect of transactions involving capital assets, such as sales, trade-ins, dispositions or other activity. (205)

Expenditures in the governmental funds for compensated absences are not recorded as expenses in the statement of activities - net decrease in compensated absences. (3,958)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the calculated pension expense is greater than the employer pension contributions and therefore decreased net position. (315,963)

Change in Net Position of Governmental Activities \$ (119,351)

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

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Edgewood, Florida, ("the City") is a political subdivision of the State of Florida, located in Orange County. The City was incorporated under the Laws of Florida and operates under the council-mayor form of government under its charter pursuant to chapter 69-1039, of the State of Florida.

The accounting policies of the City of Edgewood, Florida conform to U.S. generally accepted accounting principles as applicable to governments as established by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

The City is a municipal corporation with a six member council, including the mayor. The Council President acts as the presiding officer of the council, with the Council Pro Tem serving in the Council President's absence.

The City provides the following services as authorized by its charter: public safety - police, street, public improvements, planning and zoning, and general administrative services.

In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements. There are no component units, separate governmental units, agencies or nonprofit corporations that require inclusion in the City's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. The City has only governmental activities, which normally are supported by taxes and intergovernmental revenues. The City has no business-type activities.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Franchise and utility taxes, state revenue sharing, charges for services, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Roads and Streets Fund is a special revenue fund and accounts for the City's share of local option gas tax, 9th cent gas tax and state revenue sharing fuel tax and the expenditures made for the maintenance and improvement of the City's roads.

D. Assets, Liabilities, and Net Position or Equity

- 1) Investments - Investments are reported at fair value. The City invests in the State Board of Administration Fund (see Note 4).
- 2) Receivables, and Due From Other Governments - Those represent amounts due for services provided to citizens and a claim against another government, are measurable, and have been accrued. Management has determined these amounts are collectible and no allowance for doubtful accounts is necessary.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

D. Assets, Liabilities, and Net Position or Equity-continued

- 3) Capital Assets - Capital assets, which include buildings, improvements other than buildings, equipment and furniture, vehicles, and infrastructure assets (i.e. roads, streets and sidewalks, curbs and gutters) are reported in the governmental activities column in the government-wide financial statements. 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 two years. Such assets are recorded at cost when purchased. Contributed capital assets are capitalized at their acquisition value at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets. The estimated useful lives of the various classes of depreciable assets are as follows:

Buildings	39 years
Building Improvements	15 years
Equipment	5 to 10 years
Furniture and Fixtures	7 to 10 years
Infrastructure	20 to 30 years
Software	3 years

- 5) Property Taxes - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to ten (10) mills. The millage rate assessed by the City for the fiscal year ended September 30, 2019 was 4.95.

The property tax calendar is as follows:

- All property is assessed according to its fair market value on January 1 of each year.
- Property Appraiser prepares the assessment roll as of January 1 of each year, and then submits this preliminary roll for approval by the State and notifies each taxing city of their respective valuation by July 1 of the assessment year.
- City Council holds two required public hearings, adopts a budget for the coming fiscal year, and adopts an ad valorem tax millage rate by September 30 of the assessment year.
- Property Appraiser certifies the assessment roll, and all real and tangible personal property taxes are due and payable November 1 (levy date) of the assessment year.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

D. Assets, Liabilities, and Net Position or Equity-continued

- A Notice of Taxes is mailed to each property owner on the assessment roll by November 1 of the assessment year. Taxes may be paid November 1 (year of assessment) through March 31 (following year of assessment) with the following applicable discounts:

<u>Month</u>	<u>Discount</u>
November	4%
December	3%
January	2%
February	1%
March	0%

- All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year immediately following year of assessment.
- A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised in April/May of the year immediately following year of assessment.
- Tax certificates are sold on all real properties with unpaid real property taxes on June 1 (lien date) of the year immediately following the year of assessment.

6) Unearned Revenue – Unearned revenue presented on the government-wide and governmental fund financial statements represents revenue collected but not applicable to the current reporting period, primarily related to business tax receipts applicable to the City’s next fiscal year.

7) Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that is applicable to a future reporting period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that is applicable to a future period.

8) Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRS) and Health Insurance Subsidy Program (HIS) and additions to/deductions from the FRS and HIS fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9) Compensated Absences - An accrual is made for accrued vacation leave in the government-wide financial statements. The amount accrued represents leave and unused "comp" leave that is expected to be paid in future years. Both vacation and unused "comp" leave are recorded as long-term liabilities in the government-wide financial statements.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

D. Assets, Liabilities, and Net Position or Equity – continued

Payment of paid time off leave balance upon separation or death - Upon successful completion of the new hire probationary period, employees in authorized, budgeted part-time or full-time positions will be eligible for payment of accumulated Paid Time Off in cases of separation from City employment in good standing (layoff, resignation with proper notice, retirement). An employee who separates with less than six months' service, or who is terminated during or at the conclusion of the probationary period, fails to provide proper notice of resignation, or is discharged for cause, is not eligible for payment of accumulated Paid Time Off, unless specifically authorized by the Mayor.

- 10) Estimates - The preparation of financial statements in accordance with the modified accrual or accrual basis of accounting described in the previous paragraphs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets or liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes reconciliation between fund balances – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. These mainly pertain to recording capital assets, net of accumulated depreciation, long-term obligations, as well as deferred outflows of resources and deferred inflows of resources, in the government-wide financial statements that are not recorded in the governmental fund financial statements.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between the net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These mainly pertain to recording depreciation, rather than capital outlay, the change in compensated absences, the net effect of transactions involving dispositions or other activity relating to capital assets, and the difference between pension contributions and pension expense.

3. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

The City Council employs the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to September 30, the mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

A. Budgets and Budgetary Accounting - continued

- 2) Budget workshops are held and public hearings are conducted to obtain citizen comments.
- 3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- 4) Any transfers of budgeted amounts between departments within any fund, and any revisions that alter the total expenditures of any fund must be approved by the Council.
- 5) Formal budgetary integration is employed as a management control device during the year for all governmental funds that have a legally adopted budget.
- 6) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) The legal level of budgetary control is the fund level. Administration control is maintained at the department level through integration with the accounting records. Appropriations lapse at the end of the year.

4. Cash and Cash Equivalents and Investments

Florida Statutes provide for risk sharing collateral pools by banks and savings and loan associations. These pools collateralize local government deposits with the participating depositories. The City's demand deposits, certificates of deposits, and money market accounts are placed in such authorized depositories. Demand deposits, certificates of deposit, and money market accounts are insured by federal depository insurance up to \$250,000 of the aggregate account balances for each entity. Amounts in excess of \$250,000 are fully insured by U.S. Government securities held in the Public Deposit Security Trust Fund maintained and monitored by the Treasurer of the State of Florida. The City's demand deposits and money market accounts are carried at cost that is equivalent to fair value.

Florida Statutes also authorize the City to invest in the State Board of Administration Fund (SBA). The SBA is an investment pool administered by the State of Florida. Investments held in the SBA consist of short-term federal agency obligations, treasury bills, repurchase agreements, and commercial paper. The City invests primarily in money market accounts and the SBA.

The SBA established the Florida PRIME whereby participants own a share of the pool and not the underlying securities.

The Florida PRIME (formerly known as Pool or Fund A) is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in the Florida PRIME at amortized cost. Therefore, the City's investment in Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool's shares. The Florida PRIME is rated by Standard and Poor's and is currently rated AAAM. At September 30, 2019, the weighted average days to maturity (WAM) is 37 days, and the weighted average life (WAL) is 85 days. Next interest rate reset dates are used in the calculation of the WAM.

The Florida PRIME did not participate in a securities lending program in the year ended September 30, 2019, nor was it exposed to any foreign currency risk. The SBA provides separate financial statements for the Florida PRIME (unaudited) as of and for the period ending June 30, which can be obtained at www.sbafla.com/prime/home.aspx. It does not issue financial statements as of and for the period ending September 30.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

4. Cash and Cash Equivalents and Investments - continued

At September 30, 2019, there were no redemption fees or maximum transfer amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account balance. With regard to liquidity fees, the SBA has the authority to impose penalties for early withdrawal subject to disclosure in the enrollment materials of the amount and purpose of such fees. The SBA has not made any required disclosures relating to these fees. The SBA also has the authority to limit contributions or withdrawals for up to 48 hours in the event of an occurrence or event that has a material impact on the liquidity of the Florida PRIME. No such limitation took place during the year ended September 30, 2019.

As of September 30, 2019, financial instruments that potentially expose the City to concentration of credit risk, as defined by U.S. generally accepted accounting principles, consisted of cash and cash equivalent accounts in high quality financial institutions.

All of the City's deposits are insured by FDIC, a state depository insurance fund or a multiple financial institution collateral pool.

Cash and cash equivalents at September 30, 2019 consisted of the following:

	General Fund	Roads and Streets Fund	Total
Cash and cash equivalents:			
Demand deposits	\$ 1,346,070	77,454	1,423,524
Money market account	1,652,670	-	1,652,670
State Board of Administration - PRIME	39,164	2,357	41,521
Total cash and cash equivalents	<u>\$ 3,037,904</u>	<u>79,811</u>	<u>3,117,715</u>

5. Receivables

Receivables at September 30, 2019 consist of the following:

	General Fund	Roads and Streets Fund	Total
Receivables:			
Franchise fees and utility taxes	\$ 67,222		67,222
Solid waste	4,578		4,578
	<u>\$ 71,800</u>	<u>-</u>	<u>71,800</u>
Due from other governments:			
Taxes	67,181	8,248	75,429
Fines and forfeitures	7,685		7,685
Red light citations	18,528		18,528
FEMA reimbursement		98,816	98,816
Police education	373		373
	<u>\$ 93,767</u>	<u>107,064</u>	<u>200,831</u>

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

6. Capital Assets

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

	Balance at 9/30/18	Increases	Decreases	Balance at 9/30/19
Governmental activities:				
Land	\$ 284,796	-	-	284,796
Capital assets, not being depreciated	<u>284,796</u>	<u>-</u>	<u>-</u>	<u>284,796</u>
Capital assets, being depreciated:				
Building	586,259	-	-	586,259
Machinery and equipment	807,480	177,062	(4,010)	980,532
Infrastructure	3,787,790	-	-	3,787,790
Total capital assets being depreciated	<u>5,181,529</u>	<u>177,062</u>	<u>(4,010)</u>	<u>5,354,581</u>
Less accumulated depreciation:	<u>(2,711,191)</u>	<u>(235,894)</u>	<u>3,805</u>	<u>(2,943,280)</u>
Total capital assets, being depreciated, net	<u>2,470,338</u>	<u>(58,832)</u>	<u>(205)</u>	<u>2,411,301</u>
Governmental activities capital assets, net	<u>\$ 2,755,134</u>	<u>(58,832)</u>	<u>(205)</u>	<u>2,696,097</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 32,257
Public safety	95,802
Highways and streets	98,417
Physical environment	9,418
Total depreciation expense - governmental activities	<u>\$ 235,894</u>

7. Long-term Obligations

The following is the change reported in long-term obligations:

	Balance at 9/30/18	Additions	Reductions	Balance at 9/30/19
Compensated absences representing the long term portion of the General Fund's liability for accrued vacation leave	\$ 102,422	3,958	-	106,380
Net pension liability	2,079,021	340,046	-	2,419,067
Obligations under capital lease	<u>-</u>	<u>146,261</u>	<u>33,696</u>	<u>112,565</u>
Total	<u>\$ 2,181,443</u>	<u>490,265</u>	<u>33,696</u>	<u>2,638,012</u>

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

8. Lease Commitments

Obligations under Capital Lease

The City leases four vehicles under leases that have been recorded as capital leases under the criteria of the Governmental Accounting Standards Board. The leases expire from January 2023 to April 2023 and call for annual payments of \$6,934 to \$9,746, including interest from 7.26% to 7.88%.

Future commitments and the related obligations are as follows:

<u>Year ending September 30,</u>		
2020	\$	33,696
2021		33,696
2022		33,696
2023		33,696
		<u>134,784</u>
Less amounts representing interest		<u>(22,219)</u>
Obligation under capital lease	\$	<u><u>112,565</u></u>

The related vehicles are included in property and equipment as follows:

Vehicles	\$	146,261
Less accumulated amortization		<u>(16,150)</u>
	\$	<u><u>130,111</u></u>
Amortization expense for the year	\$	<u><u>16,150</u></u>

Operating Lease

The City leases copiers under non-cancellable operating leases that expires in November 2023. Lease expense for the year ended September 30, 2019 was \$3,575.

Future minimum rental commitments under the lease as of September 30, 2019 are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2020	\$ 3,575
2021	3,575
2022	3,575
2023	3,575
2024	<u>894</u>
Total	<u><u>\$ 15,194</u></u>

9. Commitments and Contingencies

A. Litigation – During the ordinary course of its operations, the City is party to various claims, legal actions and complaints. Some of these matters are covered by the City's insurance program. While the ultimate effect of litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the City's financial position and/or that the City has sufficient insurance coverage to cover any claims.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

9. Commitments and Contingencies - continued

- B. Risk management – The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered through participation in a local government non-assessable self-insurance pool – Florida Municipal Insurance Trust. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the City's insurance coverage for each of the past three fiscal years.
- C. Grants – The federal and state financial assistance awards are subject to audit and adjustment by the grantor agencies. Such audits could result in a request for reimbursement for disallowed expenditures under the terms and conditions of the contract. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the City expects such amounts, if any, not to be material.

10. Fund Balances - GASB 54

In accordance with GASB 54, the City is required to report fund balance amounts in five classifications – non-spendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted - amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's highest level of decision-making authority. The City Council addresses these commitments through formal board action prior to the City's fiscal year end.

Assigned - amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assignments can be made by the City Council.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

10. Fund Balances - GASB 54 – continued

The changes in the components of fund balance in the General Fund are as follows:

	Balance at 9/30/18	Increases	Decreases	Balance at 9/30/19
Nonspendable:				
Inventories	\$ 2,103	-	(2,103)	-
Prepaid expenses	32,310	11,842	-	44,152
	<u>34,413</u>	<u>11,842</u>	<u>(2,103)</u>	<u>44,152</u>
Restricted:				
Police education	41,428	5,475	(3,595)	43,308
Law enforcement trust	10,727	-	-	10,727
Storm water	34,964	126	(11,122)	23,968
Fines and forfeitures	120,553	-	-	120,553
	<u>207,672</u>	<u>5,601</u>	<u>(14,717)</u>	<u>198,556</u>
Committed:				
Police impact fees	9,411	-	-	9,411
Fire and rescue impact fees	41,641	-	-	41,641
	<u>51,052</u>	<u>-</u>	<u>-</u>	<u>51,052</u>
Unassigned	2,466,912	3,377,203	(3,563,561)	2,280,554
Total fund balances	<u>\$ 2,760,049</u>	<u>3,394,646</u>	<u>(3,580,381)</u>	<u>2,574,314</u>

11. Pension Plans

Defined Benefit Plans

The City participated in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (850) 488-6491.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

11. Pension Plans - continued

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive an HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

FRS members are eligible for retirement after vesting, which occurs at 6 years (8 years after July 1, 2011) of creditable service for regular members. Normal retirement age is attained at the earlier of 30 years of creditable service regardless of age or retirement at age 62 with at least 6 years of creditable service. Early retirement may be taken anytime; however, there is a 5 percent benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation and service credit.

Eligible retirees and beneficiaries receive monthly HIS payments equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to the FRS. The City's contribution rates as of September 30, 2019, were as follows:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Regular Employees	6.60-6.81%	1.66%	8.26-8.47%
Special Risk Employees	22.84-23.82%	1.66%	24.50-25.48%
DROP Employees	12.37-12.94%	1.66%	14.03-14.60%

The City's contributions for the year ended September 30, 2019 were \$214,024 to the FRS and \$19,202 to the HIS for a total of \$233,226.

Pension Liabilities and Pension Expense

At September 30, 2019, the City reported a liability for its proportionate shares of the net pension liability. The net pension liability for the FRS Pension Plan was measured as of July 1, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated July 1, 2019. The HIS program valuation is updated biannually and the most recent actuarial valuation was prepared as of July 1, 2018 and update procedures were used to determine liabilities as of June 30, 2019. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

11. Pension Plans - continued

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net pension liability at September 30, 2019	\$ 2,033,346	385,721	2,419,067
Proportion at:			
June 30, 2018	0.00005701501	0.00003417376	
June 30, 2019	0.00005904264	0.00003447322	
Pension expense (benefit), year ended			
September 30, 2019	\$ 516,541	32,648	549,189

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 120,604	(1,262)	4,685	(472)
Changes of assumptions	522,251	-	44,660	(31,523)
Net difference between projected and actual earnings on pension plan investments	-	(112,495)	249	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	90,394	(66,800)	18,721	(12,415)
City contributions subsequent to the measurement date	52,938	-	5,163	-
Total	\$ 786,187	(180,557)	73,478	(44,410)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

	<u>FRS</u>	<u>HIS</u>
	<u>Expense</u>	<u>Expense</u>
Year ending September 30,		
2020	\$ 200,448	10,185
2021	60,457	8,151
2022	146,085	4,464
2023	110,197	(3,242)
2024	28,412	591
Thereafter	7,093	3,756
Total	\$ 552,692	23,905

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

11. Pension Plans - continued

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Payroll growth	3.25%	3.25%
Investment rate of return	6.90%	N/A

Mortality assumptions for both plans were based on the Generational RP-2000 with Projections Scale BB tables.

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent actuarial valuation for the HIS Program was July 1, 2018. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The following changes in actuarial assumptions occurred in 2019:

FRS: The long-term expected investment rate of return decreased from 7.00% to 6.90%.

HIS: The municipal bond rate used to determine the total pension liability increased from 3.87% to 3.50%.

To develop an analytical basis for the selection of the long-term expected rate of return assumption, the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both the FRS actuary's capital market assumptions team and by a capital market assumptions team from consultants to the State Board of Administration. The table below summarizes the key assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes below.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the reduced investment return assumption of 6.90% was adopted by the Florida Retirement System Actuarial Assumption Conference.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

11. Pension Plans - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>
Cash	1%	3.3%	3.3%
Fixed income	18%	4.1%	4.1%
Global equity	54%	8.0%	6.8%
Real estate (property)	11%	6.7%	6.1%
Private equity	10%	11.2%	8.4%
Strategic investments	6%	5.9%	5.7%
	<u>100%</u>		
Assumed inflation rate			2.6%

Discount rate

The discount rate used to measure the total pension liability for FRS was 6.90%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

	<u>FRS</u>			<u>HIS</u>		
	<u>Current Discount</u>			<u>Current Discount</u>		
	1% Decrease (5.90%)	Rate (6.90%)	1% Increase (7.90%)	1% Decrease (2.50%)	Rate (3.50%)	1% Increase (4.50%)
City's proportionate share of the net pension liability	\$3,514,979	\$2,033,346	\$ 785,933	\$ 440,320	\$ 385,721	\$ 340,246

Pension Plans' Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the State's separately issued financial reports.

Payables to the Pension Plans

As of September 30, 2019, the City did not have an outstanding payable to the plans for regular employee and employer contributions that were legally required to be paid to the plans but not remitted prior to the end of the year.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

12. Interfund Transfer

Transfers are used to move funds from the General Fund to the Roads and Streets Fund to finance various major maintenance and capital improvement projects.

13. Subsequent Events

Management has evaluated subsequent events through March 31, 2020, the date which the financial statements were available to be issued.

14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued several pronouncements that are effective for these financial statements. These are:

- GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Employers)
- GASB Statement 83 - Asset Retirement Disclosures
- GASB Statement 85 - Omnibus
- GASB Statement 86 - Certain Debt Extinguishment Issues
- GASB Statement 88 - Certain Debt Disclosures

The City has reviewed each statement and determined that none of these pronouncements have any discernable impact on these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules

- General Fund
- Roads and Streets Fund

CITY OF EDGEWOOD, FLORIDA
General Fund
Budgetary Comparison Schedule
For the year ended September 30, 2019

	Budgeted amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Ad valorem taxes	\$ 1,623,202	1,623,202	1,648,780	25,578
Franchise and utility taxes	516,400	516,400	653,746	137,346
Local communications services tax	101,000	101,000	88,974	(12,026)
Total taxes	<u>2,240,602</u>	<u>2,240,602</u>	<u>2,391,500</u>	<u>150,898</u>
Licenses and permits:				
Regulatory licenses	31,000	31,000	35,958	4,958
Building, electrical and sign permits	29,100	29,100	50,087	20,987
Total licenses and permits	<u>60,100</u>	<u>60,100</u>	<u>86,045</u>	<u>25,945</u>
Intergovernmental revenues:				
State revenue sharing	121,721	121,721	100,892	(20,829)
Alcohol beverage licenses	1,500	1,500	1,070	(430)
Half-cent government sales tax	420,249	420,249	452,908	32,659
Grants	6,000	6,000	10,000	4,000
Other	1,500	1,500	1,590	90
Total intergovernmental revenues	<u>550,970</u>	<u>550,970</u>	<u>566,460</u>	<u>15,490</u>
Charges for services:				
Solid waste collection	292,000	292,000	296,137	4,137
Other	56,913	56,913	97,685	40,772
Total charges for services	<u>348,913</u>	<u>348,913</u>	<u>393,822</u>	<u>44,909</u>
Fines and forfeitures:				
Court fines	49,227	49,227	111,124	61,897
Red light citations	97,000	97,000	173,526	76,526
Code enforcement/parking fines	2,100	2,100	2,732	632
Total licenses and permits	<u>148,327</u>	<u>148,327</u>	<u>287,382</u>	<u>139,055</u>
Investment earnings	9,710	9,710	15,491	5,781
Impact fees	9,187	9,187	-	(9,187)
Miscellaneous	16,000	21,300	21,053	(247)
Total revenues	<u>\$ 3,383,809</u>	<u>3,389,109</u>	<u>3,761,753</u>	<u>372,644</u>

(Continued)

CITY OF EDGEWOOD, FLORIDA
General Fund
Budgetary Comparison Schedule
For the year ended September 30, 2019

	Budgeted amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General government:				
Financial and Administrative:				
Personal services	\$ 306,428	282,304	281,916	388
Operating expenditures	202,602	202,602	159,394	43,208
Capital outlay	20,000	20,000	9,022	10,978
Legal counsel	69,500	69,500	79,314	(9,814)
Comprehensive planning	35,000	35,000	63,087	(28,087)
Other general government	71,734	71,734	33,919	37,815
Total general government	<u>705,264</u>	<u>681,140</u>	<u>626,652</u>	<u>54,488</u>
Public safety:				
Law enforcement:				
Personal services	1,567,403	1,591,527	1,534,927	56,600
Operating expenditures	325,940	325,940	308,060	17,880
Capital outlay	33,382	38,682	55,475	(16,793)
Total law enforcement	<u>1,926,725</u>	<u>1,956,149</u>	<u>1,898,462</u>	<u>57,687</u>
Fire protection	663,807	663,807	663,660	147
Total public safety	<u>2,590,532</u>	<u>2,619,956</u>	<u>2,562,122</u>	<u>57,834</u>
Physical environment:				
Operating expenditures	273,194	273,194	265,885	7,309
Total expenditures	<u>3,568,990</u>	<u>3,574,290</u>	<u>3,454,659</u>	<u>119,631</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	(185,181)	(185,181)	307,094	492,275
Transfer out	-	-	(6,000)	(6,000)
Excess (deficiency) of revenues over (under) expenditures	(185,181)	(185,181)	301,094	486,275
Fund balance				
Beginning of year	2,760,049	2,760,049	2,760,049	-
End of year	<u>\$ 2,574,868</u>	<u>2,574,868</u>	<u>3,061,143</u>	<u>486,275</u>

CITY OF EDGEWOOD, FLORIDA
Roads and Streets - Special Revenue Fund
Budgetary Comparison Schedule
For the year ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Local option gas tax	\$ 90,546	90,546	92,845	2,299
Intergovernmental:				
State revenue sharing, fuel tax	-	-	30,018	30,018
Total intergovernmental	90,546	90,546	122,863	32,317
Other revenues:				
Investment earnings	30	30	59	29
Impact fees	2,075	2,075	-	(2,075)
Hurricane relief	-	-	104,475	104,475
FDOT reimbursement	28,760	28,760	28,760	-
Total revenues	121,411	121,411	256,157	134,746
Expenditures				
Current:				
Highways and streets				
Operating expenditures				
Streets and road maintenance	198,350	198,350	146,786	51,564
Utilities	52,354	52,354	44,293	8,061
Total expenditures	250,704	250,704	191,079	59,625
Excess (deficiency) of revenues over expenditures before transfer	(129,293)	(129,293)	65,078	194,371
Transfer in	-	-	6,000	6,000
Excess (deficiency) of revenues over expenditures	(129,293)	(129,293)	71,078	200,371
Fund balance				
Beginning of year	61,741	61,741	61,741	-
End of year	\$ (67,552)	(67,552)	132,819	200,371

CITY OF EDGEWOOD, FLORIDA
Notes to Required Supplementary Information
September 30, 2019

1. Summary of Significant Budget Policies

The City Council annually adopts a budget for the General Fund and Roads and Streets Fund. All appropriations are legally controlled at the fund level.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General Fund and Roads and Streets Fund present actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budget. Unexpended appropriations on annual budgets lapse at the end of each fiscal year. See Note 3 to the financial statements for additional information.

CITY OF EDGEWOOD, FLORIDA
Schedule of Proportionate Share of Net Pension Liability

Florida Retirement System
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.005904264%	0.005701501%	0.006190058%	0.006150802%	0.005222203%	0.005108970%
City's proportionate share of the net pension liability	\$ 2,033,346	1,717,322	1,830,978	1,553,082	674,518	311,722
City's covered-employee payroll	\$ 1,157,916	1,161,110	1,117,456	1,091,698	1,037,212	976,023
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.60%	147.90%	163.85%	142.26%	65.03%	31.94%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Health Insurance Subsidy Program
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0034472322%	0.003417376%	0.003582227%	0.003499923%	0.003250538%	0.003263377%
City's proportionate share of the net pension liability	\$ 385,721	361,699	383,028	407,902	331,504	305,134
City's covered-employee payroll	\$ 1,157,916	1,161,110	1,117,456	1,091,698	1,037,212	976,023
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.31%	31.15%	34.28%	37.36%	31.96%	31.26%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Data prior to 2014 is unavailable

** The amounts presented for each fiscal year were determined as of 6/30*

CITY OF EDGEWOOD, FLORIDA
Schedule of Pension Contributions

Florida Retirement System
 Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 214,024	194,227	172,477	165,261	148,284	131,513
Contributions in relation to the contractually required contribution	<u>(214,024)</u>	<u>(194,227)</u>	<u>(172,477)</u>	<u>(165,261)</u>	<u>(148,284)</u>	<u>(131,513)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,157,916	1,161,110	1,117,456	1,091,698	1,037,212	976,023
Contributions as a percentage of covered-employee payroll	18.48%	16.73%	15.43%	15.14%	14.30%	13.47%

Health Insurance Subsidy Program
 Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 19,202	18,998	18,621	18,040	14,133	12,906
Contributions in relation to the contractually required contribution	<u>(19,202)</u>	<u>(18,998)</u>	<u>(18,621)</u>	<u>(18,040)</u>	<u>(14,133)</u>	<u>(12,906)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,157,916	1,161,110	1,117,456	1,091,698	1,037,212	976,023
Contributions as a percentage of covered-employee payroll	1.66%	1.64%	1.67%	1.65%	1.36%	1.32%

Data prior to 2014 is unavailable

** The amounts presented for each fiscal year were determined as of 6/30*

STATUTORY SECTION

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS

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DAVID S. HOLLAND, CPA

THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' 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 City Council
City of Edgewood, 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, and each major fund, of the City of Edgewood, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 31, 2020
Orlando, Florida

Holland & Riley

HOLLAND & REILLY

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH FLORIDA STATUTES 218.415 – INVESTMENTS OF PUBLIC FUNDS

Honorable Mayor and City Council
City of Edgewood, FL

We have examined the City of Edgewood's (the City) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2019. City management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Edgewood complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

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

Holland & Reilly

March 31, 2020
Orlando, Florida

**AUDITORS' COMMENTS – CURRENT YEAR
(MANAGEMENT LETTER)**

NONE

STATUS OF PRIOR YEARS' COMMENTS

NONE

OTHER MATTERS REQUIRED BY THE RULES OF THE AUDITOR GENERAL

In accordance with the Rules of the Auditor General of the State of Florida, the following is noted:

1. The City was established by Special Acts of 1923 of the State of Florida, Chapter 9764.
2. The auditors applied financial condition assessment procedures per Auditor General Rule 10.556(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.
3. Based on our audit procedures performed, we determined that the City did not meet any of the conditions described in Florida Statutes Section 218.503 (1).