

CITY OF EVERGLADES
CITY, FLORIDA
September 30, 2019
BASIC FINANCIAL STATEMENTS,
TOGETHER WITH
REPORTS OF INDEPENDENT AUDITORS

TABLE OF CONTENTS

	<u>Page</u>
Report of the Independent Auditors	1 - 3
Management's Discussion and Analysis	4 - 8
Basic Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet- Governmental Funds	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Balance to the Statement of Activities	14
Statement of Net Position- Proprietary Fund- Utility	15
Statement of Revenues, Expenditures and Changes in Fund Balance- Proprietary Fund- Utility	16
Statement of Cash Flows- Proprietary Fund- Utility	17
Notes to Basic Financial Statements	18 - 32
Required Supplementary Information	
Statement of Revenues, Expenses and Changes in Fund Balance- General Fund -Budget and Actual	33
Statement of Revenues, Expenses and Changes in Fund Balance- Proprietary Fund - Budget and Actual	34
Post Employment Benefits other than Pensions - Schedule of Changes in the Total OPEB Liability and Related Ratios	35
Supplementary Information	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance- Proprietary Fund	36

	<u>Page</u>
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 <i>Government Auditing Standards</i>	37 - 38
Report of Independent Accountant on Compliance With Local Government Investment Policies	39
Management Letter	40 - 44
Response to Management Letter	45 - 46



366 East Olympia Avenue
Punta Gorda, Florida 33950
Phone: 941.639.6600
Fax: 941.639.6115

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor City Council
City of Everglades City, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility, continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Proprietary Fund, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Proprietary Fund is 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 Statement of Revenues, Expenditures and Changes in Fund Balance – Proprietary Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 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 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'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.

Handwritten signature in blue ink that reads "Ashley, Brown & Co."

Punta Gorda, Florida

June 5, 2020

Management's Discussion and Analysis

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

The discussion and analysis of the City of Everglades City's financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the City's financial activities for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

The net position of the City at the close of its most recent fiscal year was \$7,719,662. This amount decreased from the previous year by \$193,590.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City's financial statements. This report also includes other supplementary information in addition to the financial statements themselves.

The Statement of Net Position (page 9) and The Statement of Activities (page 10) provide information about the activities of the City as a whole and present a longer term view of the City's finances.

The governmental fund financial statements begin on page 11. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation on pages 12 and 14 that convert this data to an economic resources measurement focus and the accrual basis of accounting for use in the financial (GASB) statements. The Governmental Accounting Standards Board Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

THE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities

Government-wide financial statements are intended to allow the reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. For purposes of these statements, government type activities are measured and reported using the economic resource measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the City's assets. 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 City's net position changed during fiscal year 2018-2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The Statement of Net Position and the Statement of Activities (Continued)

Both of these financial statements distinguish the primary types of functions of the City defined as:

Governmental activities - Most of the City's basic services are reported here, including public works, community development, parks, and general administration. Major revenues supporting these activities are property taxes, utility and gas taxes, charges for services, franchise fees, with lesser revenues from building permits, fees, grants, and rentals and leases.

Business Type activities- The City operates a Sewer and Water Treatment Plant. Revenues are derived from user fees (charges for services).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain financial 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.

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 can be found beginning on page 18.

Required Supplementary Information

Generally accepted accounting principles (GAAP) call for certain unaudited information to accompany the audited basic financial statements and accompanying footnotes. This information is called required supplementary information (RSI) and includes this analysis, the MD&A; budgetary comparisons; and post employment benefits (OPEB) other than pension schedules.

THE CITY AS A WHOLE

The City's combined net position as of September 30, 2019 was \$7,719,662 The City's combined revenues, including contributions, grants, charges for services and taxes were \$2,335,990. Total expenses, citywide were \$2,529,580.

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

THE CITY AS A WHOLE (continued)

**TABLE 1
NET POSITION**

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 855,387	\$ 716,243
Capital assets (net of accumulated depreciation):	<u>9,389,664</u>	<u>9,737,591</u>
Total assets	<u>10,245,051</u>	<u>10,453,834</u>
Long-term liabilities:	(2,293,327)	(1,748,149) *
Other liabilities	<u>(232,062)</u>	<u>(792,433) *</u>
Total liabilities	<u>(2,525,389)</u>	<u>(2,540,582)</u>
Net Position	<u>\$ 7,719,662</u>	<u>\$ 7,913,252</u>
Investment in capital assets, net of related debt	7,301,006	7,606,698
Reserved for:		
Infrastructure	70,194	
Debt service	246,924	243,361
Unrestricted	<u>101,538</u>	<u>63,193</u>
Net Position	<u>\$ 7,719,662</u>	<u>\$ 7,913,252</u> *

**as restated*

The largest portion of the City's assets (71%) reflect its investment in capital assets (land, buildings, plant and equipment) less outstanding debt used to acquire those assets. The City uses those assets to provide services to citizens, consequently these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net position is subject to external restrictions on how it may be used. The remaining balance, unrestricted net position, may be used to meet the City's ongoing obligations to citizens and creditors.

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

THE CITY AS A WHOLE (continued)

**TABLE 2
CHANGES IN NET POSITION**

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,137,101	\$ 745,291
Grants and contributions	309,054	346,384
General Revenues:		
Property taxes	381,648	365,210
Franchise fees	54,073	56,639
Utility taxes and gas taxes	249,352	211,248
Rental income	77,639	30,731
Other income	127,123	113,698
Total revenues	<u>2,335,990</u>	<u>1,869,201</u>
Expenses:		
Water and Sewer	1,396,943	1,791,536
General Government	439,874	344,419
Public Safety	271,092	516,110
Human Services	39,067	22,257
Transportation	154,377	134,442
Culture and Recreation	164,764	134,714
Interest	63,463	68,335
Total expenses	<u>2,529,580</u>	<u>3,011,813</u>
Decrease in net position	(193,590)	(1,142,612)
Net position - beginning	<u>7,913,252</u>	<u>9,055,864</u> *
Net Position - ending	<u><u>7,719,662</u></u>	<u><u>\$ 7,913,252</u></u> *

**as restated*

Primary Governmental Activities

Table 3 presents the cost of each of the City's programs as well as each program's net cost (total cost less revenue, excluding taxes, generated by the activities). The net cost represents the portion of each program that is supported by various taxes. The cost of all governmental activities this year was \$1,069,174. As shown in the Statement of Activities, the net cost was primarily paid through tax and other general revenues totaling \$884,450.

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

Primary Governmental Activities (continued)

**TABLE 3
PRIMARY GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 439,874	\$ 732,842
Public Safety	271,092	(271,092)
Human Services	39,067	(39,067)
Transportation	154,377	(154,377)
Culture and Recreation	164,764	(159,050)
	<u>\$ 1,069,174</u>	<u>\$ 109,256</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of September 30, 2019 reflect an investment of \$9,389,664 net of accumulated depreciation.

**TABLE 4
CAPITAL ASSETS AT YEAR END**

	<u>2019</u>	<u>2018</u>
Land	\$ 636,761	\$ 636,761
Buildings	415,938	415,938
Improvements other than buildings	317,843	317,843
Machinery and equipment	912,708	780,239
Vehicles	58,500	58,500
Infrastructure	14,698,311	14,698,311
Accumulated depreciation	<u>(7,650,397)</u>	<u>(7,170,001)</u>
	<u>\$ 9,389,664</u>	<u>\$ 9,737,591</u>

Debt

As of September 30, 2019 the City had \$1 million bonds payable and \$1.06 million in notes payable.

For additional information regarding capital assets and debt refer to footnotes 4 and 7.

Basic Financial Statements

City of Everglades City, Florida
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 333,076	\$ 301,428	\$ 634,504
Cash restricted for infrastructure	70,194	-	70,194
Accounts receivable	28,430	92,436	120,866
Prepaid expenses	19,705	9,367	29,072
Other current assets	-	751	751
Capital assets			
Land	231,383	405,378	636,761
Buildings	383,013	32,925	415,938
Improvements other than buildings	317,843	-	317,843
Machinery and equipment	40,862	871,846	912,708
Vehicles	55,500	3,000	58,500
Infrastructure	1,091,928	13,606,383	14,698,311
Less: Accumulated depreciation	(1,258,619)	(6,391,778)	(7,650,397)
Total assets	1,313,315	8,931,736	10,245,051
LIABILITIES			
Short-term Liabilities			
Accounts payable	35,844	11,827	47,671
Accrued Expenses	2,740	1,059	3,799
Customer security deposits	-	50,328	50,328
Interest payable	-	3,051	3,051
Notes payable due within one year	-	66,013	66,013
Bonds payable due within one year	-	61,200	61,200
Long-term Liabilities:			
Notes payable due in more than one year	-	1,000,537	1,000,537
Bonds payable due in more than one year	-	946,030	946,030
Total OPEB Liability	232,329	114,431	346,760
Total liabilities	270,913	2,254,476	2,525,389
NET POSITION			
Investment in capital assets, net of related debt	861,910	6,439,096	7,301,006
Restricted for:			
Infrastructure	70,194	-	70,194
Debt service	-	246,924	246,924
Unrestricted	110,298	(8,760)	101,538
Total net position	\$ 1,042,402	\$ 6,677,260	\$ 7,719,662

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Activities
September 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities						
General government	\$ 439,874	\$ 1,040	\$ 287,226	\$ (151,608)	\$ -	\$ (151,608)
Public safety	271,092	-	-	(271,092)	-	(271,092)
Human Services	39,067	-	-	(39,067)	-	(39,067)
Transportation	154,377	-	-	(154,377)	-	(154,377)
Culture & recreation	164,764	5,714	-	(159,050)	-	(159,050)
Total governmental activities	1,069,174	6,754	287,226	(775,194)	-	(775,194)
Business-type activities						
Water & sewer	1,460,406	1,130,347	21,828	-	(308,231)	(308,231)
Total primary government	\$ 2,529,580	\$ 1,137,101	\$ 309,054	\$ (775,194)	\$ (308,231)	\$ (1,083,425)

General Revenues:

Property taxes	\$ 381,648	\$ -	\$ 381,648
Franchise fees, licenses and permits	54,073	-	54,073
Unrestricted state shared revenues	79,434	-	79,434
Restricted state shared revenues	70,194	-	70,194
Gas taxes	31,815	-	31,815
Other taxes	67,909	-	67,909
Rental income	77,639	-	77,639
Miscellaneous income	121,738	5,385	127,123
Total general revenues	884,450	5,385	889,835
Transfers			-
Change in net position	109,256	(302,846)	(193,590)
Net position - beginning	933,146	6,980,106	7,913,252
Net position - ending	\$ 1,042,402	\$ 6,677,260	\$ 7,719,662

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Balance Sheet - Governmental Funds
September 30, 2019

	<u>General</u>
ASSETS	
Cash	\$ 333,076
Cash restricted for infrastructure	70,194
Prepaid expenses	19,705
Accounts receivable	28,430
Total assets	<u><u>\$ 451,405</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 35,844
Accrued Expenses	2,740
Total Liabilities	<u>38,584</u>
FUND BALANCE	
Restricted	70,194
Unassigned	<u>342,627</u>
Total fund balances	<u>412,821</u>
Total liabilities and fund balances	<u><u>\$ 451,405</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida

**Reconciliation of the Balance Sheet To the Statement of Net Position- Governmental Funds
September 30, 2019**

Fund Balance	\$ 412,821
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Post employment benefits other than pensions	(232,329)
Capital assets used in governmental activities are not financial resources and are therefore not reported on the balance sheet	<u>861,910</u>
Net Position	<u><u>\$ 1,042,402</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the fiscal year ended September 30, 2019

	<u>General</u>
REVENUES	
Taxes	\$ 631,000
Intergovernmental	287,226
Franchise fees, licenses, and permits	54,073
Rentals and leases	77,639
Other revenues	<u>128,492</u>
Total revenues	<u>1,178,430</u>
EXPENDITURES	
Current	
Personal Services	316,992
Operating Expenses	586,136
Capital Outlay	<u>-</u>
Total expenditures	<u>903,128</u>
Excess of revenues over (under) expenditures	<u>275,302</u>
Net Change in Fund Balance	<u>275,302</u>
FUND BALANCE, September 30, 2018	<u>137,519</u>
FUND BALANCE, September 30, 2019	<u><u>\$ 412,821</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities - Governmental Activities

For the fiscal year ended September 30, 2019

Net change in fund balance \$ 275,302

The change in other post-employment benefits is an increase of expense in the Statement of Activities, but does not require a use of current financial resources and is not reported in the fund financial statements. (107,132)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of various miscellaneous transactions involving the disposal, sale, and trade-in of assets and depreciation expense is to decrease net position. (58,914)

Change in net position \$ 109,256

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Net Position - Proprietary Fund - Utility
September 30, 2019

	<u>Business-Type Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 301,428
Accounts receivable	92,436
Prepaid expenses	9,367
Other current assets	751
Total current assets	<u>403,982</u>
NONCURRENT/CAPITAL ASSETS	
Land	405,378
Buildings	32,925
Machinery and equipment	871,846
Vehicles	3,000
Infrastructure/utility system	13,606,383
Less accumulated depreciation	<u>(6,391,778)</u>
Total noncurrent assets	<u>8,527,754</u>
TOTAL ASSETS	<u>8,931,736</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	11,827
Accrued expenses	1,059
Customer security deposits	50,328
Interest and loan fees payable	3,051
Current portion of notes payable	66,013
Current portion of bonds payable	61,200
Total current liabilities	<u>193,478</u>
NONCURRENT LIABILITIES	
Long term portion of notes payable	1,000,537
Long term portion of bonds payable	946,030
Total OPEB Liability	<u>114,431</u>
Total noncurrent liabilities	<u>2,060,998</u>
TOTAL LIABILITIES	<u>2,254,476</u>
NET POSITION	
Investment in capital assets, net of related debt	6,439,096
Restricted for:	
Debt service	246,924
Unrestricted	<u>(8,760)</u>
TOTAL NET POSITION	<u>\$ 6,677,260</u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund - Utility
For the fiscal year ended September 30, 2019

OPERATING REVENUES

Charges for services	\$ 1,130,347
Miscellaneous revenue	5,385
Total operating revenue	<u>1,135,732</u>

OPERATING EXPENSES

Personal services	193,930
Insurance	32,622
Contractual services	438,440
Materials and supplies	163,745
Utilities	69,390
Repairs and maintenance	77,334
Total operating expenditures	<u>975,461</u>

Operating income (loss)	<u>160,271</u>
-------------------------	----------------

NON-OPERATING REVENUES (EXPENSES)

Depreciation and loss on disposal	(421,482)
Intergovernmental revenue	21,828
Interest expense and loan fees	(63,463)
Total non-operating revenues (expenses)	<u>(463,117)</u>

Net income (loss) before transfers	<u>(302,846)</u>
------------------------------------	------------------

Change in net position	(302,846)
------------------------	-----------

Net position - beginning, as restated	<u>6,980,106</u>
---------------------------------------	------------------

Net position - ending	<u><u>\$ 6,677,260</u></u>
-----------------------	----------------------------

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Cash Flows - Proprietary Fund - Utility
For the fiscal year ended September 30, 2019

Cash flows from operating activities:	
Cash received from customers and agencies	\$ 1,119,933
Cash payments to suppliers for goods and services	(750,298)
Cash payments to employees for services	(140,104)
Customer deposits received/(refunded)	<u>3,672</u>
Net cash provided by operating activities	<u>233,203</u>
Cash flows from capital and related financing activities:	
Cash received from intergovernmental agencies	21,828
Acquisition of capital assets	(132,469)
Principal paid on debt	(71,216)
Interest and loan fees paid	<u>(63,228)</u>
Net cash used in capital and related financing activities	<u>(245,085)</u>
Net decrease in cash and cash equivalents	(11,882)
Cash and cash equivalents, October 1, 2018	<u>313,310</u>
Cash and cash equivalents, September 30, 2019	<u><u>\$ 301,428</u></u>
Reconciliation of operating net loss to net cash provided by operating activities:	
Operating net income	\$ 160,271
Increase in accounts receivable	(15,799)
Increase in other current assets	(751)
Decrease in prepaid expenses	3,238
Decrease in accounts payable	(478,554)
Increase in long term liability	507,300
Increase in customer deposits	3,672
Increase in accrued expenses	1,059
Increase in OPEB liability	<u>52,767</u>
Net cash used in operating activities	<u><u>\$ 233,203</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies

Reporting Entity

The City of Everglades City, Florida (the "City"), was incorporated as the Town of Everglades in 1923 pursuant to Chapter 9751 Laws of Florida. The Charter of the Town of Everglades was abolished in 1953 and replaced by Chapter 29068 Laws of Florida, Acts of 1953 creating the City of Everglades City. The City is governed by an elected Mayor and an elected five-member City Council, and provides the following services: recreation, public safety, street and roads, planning and zoning, water and sewer services and general and administrative services.

Governmental Accounting Standards Board (GASB) Statement No. 14, *Financial Reporting Entity*, requires the financial statements of the City (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, there are no component units required to be included in the City's financial statements.

(a) 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 activities of the City. Governmental activities, which are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees, charges for services, and grant funds. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds.

(b) 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 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 Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Major Funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary utility fund are charges to customers for services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Series 1981 \$642,000 and Series 2002 \$1,148,230 Revenue Bonds debt service is included in the proprietary fund and used to account for the accumulation of resources for, and the payment of, the principal and interest on bonds.

Intentionally left blank

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The following procedures are used by the City in establishing the budgetary data reflected in the non-GAAP City-wide budget vs. actual schedule. The City prepares its budget at the entity wide level which combines both the general and business-type funds.

1. During the summer, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance required by City Charter and a resolution required by the State of Florida.
4. Budget amounts, as shown in the budget vs. actual schedule are as originally adopted, and/or as amended, if applicable, by the City Council.
5. Governmental Funds that do not have a legally adopted budget are not included in schedule. Therefore, the Debt Service Funds are not presented.
6. The level of control for appropriations is exercised at the functional level.

Encumbrances

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 not employed by the City because it is, at present, not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

(c) Assets, Liabilities, Fund Balance and Net Position

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable column in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

(c) Assets, Liabilities, Fund Balance and Net Position, continued

Capital Assets, continued

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

Major outlays for capital assets and improvements are capitalized as projects after constructed. Property, plant and equipment is depreciated using the straight- line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	10 - 40
Infrastructure	10 - 50
Machinery, equipment and vehicles	5 - 20

Compensated Absences

Under the City's current policy, vacation and sick pay do not vest. City employees must use their benefit prior to their anniversary date or the benefit is lost. Based on this, there is no liability for compensated absences recorded at September 30, 2019 in the financial statements.

Fund Balances

The governmental fund financial statements fund balance is reported in five classifications.

- Nonspendable Advances for long term loans and receivables represented as fund balance amounts that are not in spendable form.
- Restricted Restricted fund balances have constraints placed on the uses of resources by state stature, City land development code, debt covenants and contributors.
- Committed Committed fund balances are classified as such as a result of City Council taking formal action and adopting an ordinance which can only be modified or rescinded by subsequent formal action. An ordinance is the City's highest level of decision-making authority. The City does not have any committed fund balance.
- Assigned Assigned fund balances are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City approves the disaster and operating reserves during the adoption of the City's budget.
- Unassigned Fund balance that has not been reported in any other classification.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

(c) Assets, Liabilities, Fund Balance and Net Position, continued

Fud Balance, continued

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net position of the government-wide financial statements are categorized as follows:

Invested in capital assets, net of related debt	Capital assets net of accumulated depreciation and reduced by the outstanding balance of the loan payable that is attributable to the acquisition, construction or improvement of capital assets.
Restricted	Restricted net position has constraints placed on the uses of resources by state stature, City land development code, debt covenants and contributors.
Unrestricted	Net position that has not been reported in any other category.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the City to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Long-term Obligations

Long-term debt is recognized as a liability in the applicable governmental activity of the statement of net position when due, or when resources have been accumulated in the in the following year.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 2 - Property Taxes

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of levy. The Collier County, Florida, Tax Collector's Office bills and collects property taxes on behalf of the City. The tax rate to finance general governmental services and general obligation debt service for the fiscal year ended September 30, 2019 was \$4.7835 per \$1,000 of assessed property value. Property tax revenue is recognized currently in the fiscal year for which the taxes are levied. Unpaid taxes become delinquent and a lien is placed on the property. The past due tax certificates are sold at public auction and the proceeds thus collected are remitted to the City.

The property tax calendar is approximately as follows:

July 1	Assessment roll validated
September 30	Millage ordinance approved and taxes levied following certification of assessment roll
October 1	Beginning of fiscal year for which tax is to be levied
November 1	Tax bills rendered and due
November 1 - March 1	Property taxes due with various discounts
April 1	Taxes delinquent
May 31	Tax certificates sold by Collier County

Note 3 - Cash and Investments

At September 30, 2019, the carrying amount of the City's deposits was \$704,698 and the bank balance was \$712,044. These deposits were entirely covered by Federal Depository Insurance or by collateral pursuant to the Florida Security For Public Deposits Act (Florida Statutes Chapter 280).

Florida Statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, obligations of the U.S. Government and governmental agencies unconditionally guaranteed by the U.S. Government. The City's investment policy permits the investment in investment savings accounts and certificates of deposit with state-certified, qualified public depositories. The City held no investments at year-end or any other time during the fiscal year.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 4 - Changes in Fixed Assets

A summary of changes in general fixed assets follows:

Governmental Activities	Beginning				Ending
	Balance	Additions	Deletions	Adjustments	Balance
	10/1/2018				9/30/2019
Land	\$ 231,383	\$ -	\$ -	\$ -	\$ 231,383
Buildings	383,013	-	-	-	383,013
Improvements other than buildings	317,843	-	-	-	317,843
Infrastructure	1,091,928	-	-	-	1,091,928
Equipment & Furniture	40,862	-	-	-	40,862
Vehicles	55,500	-	-	-	55,500
	<u>2,120,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,120,529</u>
Less: Accumulated depreciation	(1,199,705)	(58,914)	-	-	(1,258,619)
	<u>\$ 920,824</u>	<u>\$ (58,914)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 861,910</u>

Depreciation expense was charged to programs of the City as follows:

General government	\$ 9,786
Culture and recreation	15,644
Public safety	3,373
Transportation	<u>30,111</u>
Total depreciation expense	<u>\$ 58,914</u>

Business-Type Utility	Beginning				Ending
	Balance	Additions	Deletions	Adjustments	Balance
	10/1/2018				9/30/2019
Land	\$ 405,378	\$ -	\$ -	\$ -	\$ 405,378
Buildings	32,925	-	-	-	32,925
Equipment & Furniture	739,377	132,469	-	-	871,846
Infrastructure	13,606,383	-	-	-	13,606,383
Vehicles	3,000	-	-	-	3,000
	<u>14,787,063</u>	<u>132,469</u>	<u>-</u>	<u>-</u>	<u>14,919,532</u>
Less: Accumulated depreciation	(5,970,296)	(421,482)	-	-	(6,391,778)
	<u>\$ 8,816,767</u>	<u>\$ (289,013)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,527,754</u>

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 5 - Rental Agreements

The City is the lessor of approximately 80 marina boat dock slips, land for communication towers and excess office and recreation space under various operating lease agreements. The lease agreement with the communications company covers multiple years, whereas the others all expire annually with renewal options for the next year. Total revenue generated from property rentals for the year ended September 30, 2019 was \$77,639.

Note 6 - Changes in Business-Type Activities - Utility Revenue Bonds and Notes Payable

Changes in bond indebtedness and notes payable of the City for the year ended September 30, 2019 are summarized below:

Business type long-term debt payable at October 1, 2018	\$ 1,637,586
Settlement Payable	507,300
Revenue Bonds debt retired	(53,000)
Notes Payable debt retired	(18,216)
Adjustment to principal Notes Payable	110
Business type long-term debt payable at September 30, 2019	<u>\$ 2,073,780</u>

Revenue Bonds

\$1,148,230 Water and Sewer Revenue Bonds, Series 2002, interest payable at 4.625%, due annually on January 1, principal amounts varying through 2042, collateralized by a lien on gross revenues derived from the municipal water and sewer system and a portion of the City's share of State revenue sharing trust funds. Unpaid
Principal

\$642,100 Revenue Bonds, Series 1981,(issued on parity with the Series 1971 Bonds) interest payable at 5%, due annually on January 1, principal amounts varying through 2022, collateralized by a lien on gross revenues derived from the municipal water and sewer system and a portion of the City's share of State revenue sharing trust funds. 104,000

Total Business Type- Revenue Bonds \$ 1,007,230

At September 30, 2019, the outstanding Revenue Bonds have the following debt service requirements:

Year Ending September 30,	Principal	Interest	Total
2020	56,000	46,974	102,974
2021	59,000	44,372	103,372
2022	61,000	41,401	102,401
2023	26,000	38,444	64,444
2024	28,000	37,242	65,242
2025-2029	159,000	165,902	324,902
2030-2034	198,000	125,501	323,501
2035-2039	248,000	75,343	323,343
2040-2042	172,230	16,142	188,372
	<u>\$ 1,007,230</u>	<u>\$ 591,321</u>	<u>\$ 1,598,551</u>

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 6 - Changes in Business-Type Activities - Utility Revenue Bonds and Notes Payable (Continued)

The related bond resolutions established certain accounts and determined the order in which revenue is to be deposited into those accounts. The purpose of the accounts, in order of priority of revenue transfers, is as follows:

Sinking Fund Account - Deposit monthly amounts necessary to fund the principal and interest coming due each year in January.

Reserve Account - Deposit monthly and maintain sufficient amounts in the Reserve Fund such that at all times the balance will be no less than an amount equal to the maximum stated reserve requirement.

Remaining Monies - Any monies remaining, after the transfers to the previously mentioned accounts, may be used by the City in any manner provided by law.

Notes Payable	<u>Principal amount owed</u>
<p>\$614,293, decreased to \$589,116 in September 2015, loan from the Florida Department of Environmental Protection in conjunction with a grant in the amount of \$2,617,079 of which \$2,027,963 is structured as debt forgiveness, excluding capitalized interest and loan service fees. These funds are to be utilized for the final design of the well field and water plant improvements, permitting and conversion of two exploratory drinking water wells into production wells, including instrumentation and controls, the construction of well pumps and pipeline to connect the new wells with the existing water treatment plant. An amendment to the original loan agreement was effective in fiscal years 2012, 2014 and 2015.</p>	\$ 501,738
<p>\$120,233, loan from the Florida Department of Environmental Protection reduced from \$601,166 in March 2016 in conjunction with a grant in the amount of \$142,326, reduced to \$44,957 in September 2015. These funds are to be utilized for the construction of the wastewater collection, transmission and treatment facility. An amendment to the original loan agreement was effective in fiscal year 2016. Payments do not begin until February of 2017.</p>	57,512
<p>\$507,300, settlement payable, to Veolia Water North America-South, LLC (see Note 10-Subsequent Events), on November 5, 2019, for services rendered in 2017. Monthly payments of \$5,950.41 for eight years at 3.00% interest.</p>	<u>507,300</u>
Total Business Type- Notes Payable	<u><u>\$ 1,066,550</u></u>

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 6 - Changes in Business-Type Activities - Utility Revenue Bonds and Notes Payable (Continued)

Notes Payable, continued

Year Ending September 30,	Principal	Interest	Total
2020	66,013	24,736	90,749
2021	77,524	25,164	102,688
2022	79,769	22,956	102,725
2023	82,078	20,685	102,763
2024	74,115	12,984	87,099
2025-2029	329,929	58,900	388,829
2030-2034	123,383	35,296	158,679
2035-2039	128,430	20,823	149,253
2040-2043	105,309	5,778	111,087
	<u>\$ 1,066,550</u>	<u>\$ 227,322</u>	<u>\$ 1,293,872</u>

Note 7 - Other Post Employment Benefits

The City's Other Post Employment Benefit Plan (Plan) is a single-employer defined benefit plan that covers eligible retired employees of the City. The Plan, which is administered by the City, and required by *Florida Statute 112.0801, Group insurance; participation by retired employees*, allows employees who retire and meet retirement eligibility requirements, spouses, and dependents to continue medical insurance coverage as a participant in the City's plan. The City allows retirees who retire and meet retirement eligibility requirements, spouses, and dependents to continue pharmacy, dental and/or vision insurance as well. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust, as no assets are accumulated. The contributions, if any, made to the program are assumed to be the benefits paid to retirees and administrative expenses.

In accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 specifies that governments must recognize their net OPEB liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense in financial statement's prepared using the economic resources measurement focus and accrual basis of accounting. For the City, this information, including OPEB expense of \$159,899 is included in the government-wide financial statements. There were no OPEB expenditures recognized in the fund financial statements under the modified accrual method for the year ended September 30, 2019.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 7 - Other Post Employment Benefits, continued

Employees Covered by Benefit Terms. At October 1, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members, or Beneficiaries Currently Receiving Benefits	-
Inactive Plan Members Covered Spouses	-
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Plan Active Members	6
	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 3px double black;"/>

Benefits Provided:

All retirees may elect coverage in the health, pharmacy, dental and/or vision plans offered by the City. They must contribute 100% of the active premium rates. Spouse and dependent coverage is available as well at the active premium rates.

The City’s net OPEB liability was calculated using the Alternative Measurement Method (AMM) permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members.

The Alternative Measurement Method involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that the determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

Total OPEB Liability

The measurement date is September 30, 2019.
 The measurement period for the OPEB expense was October 1, 2018 to September 30, 2019.
 The reporting period is October 1, 2018 through September 30, 2019

Note - The Sponsor’s Total OPEB Liability for the City’s ledger adjustment was measured as of September 30, 2019 using a discount rate of 2.66%

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 7 - Other Post Employment Benefits, continued

Total OPEB Liability, continued

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2018 using the following actuarial assumptions:

Age Adjustment Factor	1.303092
Average Retirement Age	65
Employer Future Premium Contribution	Remain a level % of the total cost over time
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Discount Rate	2.66%
Projected Salary Increases	1.24%
Amortization Period	20
Percentage Participation	100%
Total OPEB Liability	
and Annually Determined Contribution	Calculated using the AMM in accordance with GASB methodology

Mortality Table - RP2000 Mortality Table for Males and Females projected 18 years; this assumption does not include a margin for future improvements in longevity

Turnover Assumption - Derived from data maintained by the United States Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System

Payroll Growth Assumption Source - The average annual percentage change in the Consumer Price Index - Urban Wage Earners and Clerical Workers CPI-W from 2010 to 2017

Healthcare Cost Trend Source - Consistent with the Getzen Model promulgated by the Society of Actuaries for use in long-term trend projection

ACA Excise Tax - Will ultimately affect all plans, due to the variability of the ACA excise tax by plan, the user needs to estimate the impact and adjust the trend, the excise tax could raise the average annual trend rate by 0.5% or more in each year

Discount Rate - Given the City’s decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 2.66%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 7 - Other Post Employment Benefits, continued

Total OPEB Liability, continued

Actuarial Assumptions, continued

Eligibility - Minimum age before retirement (termination) - 65; Minimum required years of service - 8; benefit pays secondary to Medicare; benefit for both early (pre-65) and regular retirees (65 and over)

Changes in Total OPEB Liability

Reporting Period Ending September 30, 2018	\$ 186,861
Changes for the year:	
Service Cost	8,061
Interest	8,148
Economic/Demographic Gains or Losses	63,878
Changes of Assumptions or Inputs	79,812
Net Changes	<u>159,899</u>
Reporting Period Ending September 30, 2019	<u><u>\$ 346,760</u></u>

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor’s Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
Total OPEB Liability	\$ 417,264	\$ 346,760	\$ 291,192

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor’s Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
Total OPEB Liability	\$ 285,598	\$ 346,760	\$ 424,585

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 7 - Other Post Employment Benefits, continued

Changes in Total OPEB Liability, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the Sponsor will recognize OPEB expense of \$159,899. On September 30, 2019, the Sponsor did not report Deferred Outflows of Resources or Deferred Inflows of Resources related to OPEB, in accordance with the AMM GASB methodology.

Note 8 - Commitments and Contingencies

The City is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency and which are subject to special compliance audits by the grantor agency and which may result in disallowed expenditures/expense amounts. These amounts, if any, constitute a contingent liability of the City. Accordingly, such liabilities are not reflected within the general-purpose financial statements. The City does not believe the effects of grant-related contingent liabilities, if any, will be material to the financial statements.

The Florida Department of Environmental Protection (DEP) filed a civil lawsuit naming the City as the defendant on November 24, 2015 for negligence related to the Wastewater and Drinking Water Condition of the City, State of Florida Department of Environmental Protection v. Everglades City Case Number 11-2015-CA-002134-0001-XX. On January 21, 2016, a clerk's default was entered against the City. The amended complaint, filed February 17, 2017 asserts the following counts and related penalties, fines and costs: Count One- Petition for Enforcement of Consent Order, fines of up to \$1,000 per day since June 3, 2013; Count Two- Operating without a Permit, fines of up to \$10,000 per day since July 5, 2015; Count Three- Drinking Water Violations, fines of up to \$10,000 per day since December 5, 2014; and Count Four- Wastewater Violations, fines of up to \$10,000 per day since April 1, 2016; attorney's fees, department costs, and investigative costs. On April 28, 2017, the DEP moved for a default judgment against the City. The City answered on June 28, 2017; however, the Court entered a clerk's default. The City, along with the DEP filed a joint motion to set aside the default and, on August 17, 2017, the Court granted an Order setting aside judicial default. The City settled with the DEP and entered into a Consent Final Judgment on July 25, 2018. Since reaching an agreement with the DEP, the City has violated the Consent Final Judgment, as indicated by the DEP; a notice of failure was provided to the City on September 30, 2019; however, no additional action has been taken by the DEP. The potential liability to the City, which include fines, attorney's fees, department costs, and investigative costs can not be reasonably estimated, but is probable. The City does not anticipate a resolution to the case in the near future. Settlement of this matter at some point is highly likely.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2019

Note 9 - Risk Management

The City participates in the Florida Municipal Insurance Trust Fund, a program sponsored and administered by the Florida League of Cities. It provides the following types of insurance: General Liability, Automobile, Property and Workers' Compensation. The Florida Municipal Insurance Trust (FMIT) represents a large number of cities and government agencies in the formation of a "self-insurance" pool for both general liability and workers' compensation protection.

Note 10 - Subsequent Events

Veolia Water North America- South, LLC (Veolia) filed a complaint against the City on November 27, 2018. Veolia alleged breach of contract, violation of prompt payment act and unjust enrichment for services to operate, maintain, repair, and perform other improvements to the City's waste and wastewater system. Veolia and the City mediated and settled the dispute on November 5, 2019. The City has recorded a settlement payable for the amount of the settlement agreement, \$507,300. The City is in compliance with the settlement agreement.

On September 10, 2017, Hurricane Irma made landfall in the City of Everglades City. As a result of this event, the City suffered damages to various buildings and infrastructure. As of March 31, 2018 total insurance claims for the City were \$2.442 million for Hurricane related damages to real and personal property. The city is responsible for a deductible of \$213,075. The City paid \$73,075 in deductible costs in fiscal year 2018 and the remaining \$140,000 in fiscal year 2019. In addition to the harm to City owned property, many citizens had extensive damages to their home and business properties. The cost of the clean up effort is partially reimbursable by the Federal Emergency Management Administration (FEMA) and the State of Florida Department of Emergency Management (FDEM). The amount of total cost of the clean up and repair effort was \$2,203,600 as of September 30, 2019, an increase of \$930,031 since September 30, 2018. The process of applying for and receiving reimbursement will continue into 2021. As of September, 2019 the City received \$255,549 from FEMA and \$52,255 from FDEM and expects to receive the remaining obligated funds by September 1, 2021. The City will be responsible for 2.5% in matching funds in the amount of \$47,545. The City incurred \$177,020.20 in costs related to Hurricane Irma repairs and deductibles for the year ended September 30, 2019.

Required Supplementary Information

City of Everglades City, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Fiscal year ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 404,254	\$ 381,574	\$ 381,648	\$ 74
Franchise Fees	31,000	28,512	28,512	-
Discretionary Tax	-	65,093	70,194	5,101
Gas Tax	31,891	32,136	31,816	(320)
Local Business Tax	1,631	3,461	4,465	1,004
State Communications Service Tax	12,527	13,382	13,406	24
Utility Tax	65,030	61,730	60,502	(1,228)
Licenses and permits	31,237	1,550	2,675	1,125
Intergovernmental revenues	81,114	320,299	379,011	58,712
Charges for services	4,224	5,300	6,755	1,455
Miscellaneous	77,028	196,593	199,446	2,853
Total revenues	<u>739,936</u>	<u>1,109,630</u>	<u>1,178,430</u>	<u>68,800</u>
Reserves			-	-
TOTAL Revenues and Reserves	<u>739,936</u>	<u>1,109,630</u>	<u>1,178,430</u>	<u>68,800</u>
EXPENDITURES				
Current				
General government	330,653	351,070	383,021	(31,951)
Public safety	137,571	189,310	250,322	(61,012)
Human Services	27,348	29,817	34,140	(4,323)
Transportation	113,112	104,962	106,198	(1,236)
Parks and recreation	131,252	129,450	129,447	3
Total expenditures	<u>739,936</u>	<u>804,609</u>	<u>903,128</u>	<u>(98,519)</u>
Contingency	97,675	442,540	-	(442,540)
TOTAL Expenditures and Contingency	<u>837,611</u>	<u>1,247,149</u>	<u>903,128</u>	<u>(541,059)</u>
Excess of revenues/reserves over (under) expenditures/contingency	(97,675)	(137,519)	275,302	412,821
FUND BALANCE, October 1, 2018	<u>97,675</u>	<u>137,519</u>	<u>137,519</u>	<u>-</u>
FUND BALANCE, September 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,821</u>	<u>\$ 412,821</u>

City of Everglades City, Florida

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

Fiscal year ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Utility Service Tax	\$ 62,660	\$ 42,000	\$ 43,652	\$ 1,652
Intergovernmental Revenue	-	20,576	21,828	1,252
Charges for services	810,376	1,141,252	1,086,695	(54,557)
Miscellaneous Revenues	-	5,370	5,385	15
Total revenues	<u>873,036</u>	<u>1,209,198</u>	<u>1,157,560</u>	<u>(51,638)</u>
Reserves	-	-	-	-
TOTAL Revenues and Reserves	<u>873,036</u>	<u>1,209,198</u>	<u>1,157,560</u>	<u>(51,638)</u>
EXPENDITURES				
Current				
General Government	-	32,370	-	(32,370)
Physical Environment	731,036	829,253	975,461	146,208
Debt Service	142,000	60,645	63,463	2,818
Capital Expenditures	-	121,604	132,469	10,865
Total expenditures	<u>873,036</u>	<u>1,043,872</u>	<u>1,171,393</u>	<u>127,521</u>
Contingency	-	165,326	-	(165,326)
TOTAL Expenditures and Contingency	<u>873,036</u>	<u>1,209,198</u>	<u>1,171,393</u>	<u>(37,805)</u>
Excess of revenues/reserves over (under) expenditures/contingency	<u>\$ -</u>	<u>\$ -</u>	<u>(13,833)</u>	<u>\$ (13,833)</u>
GAAP Reconciliation:				
Less Capital Expenditures			132,469	
Depreciation			(421,482)	
Excess of revenues/reserves over (under) expenditures/contingency			<u>(302,846)</u>	
Beginning Net Position			<u>6,980,106</u>	
Ending Net Position			<u>\$ 6,677,260</u>	

City of Everglades City, Florida
September 30, 2019

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Measurement Date	9/30/2019	9/30/2018
Total OPEB Liability		
Service Cost	\$ 8,061	\$ 6,227
Interest	8,148	4,740
Changes of Assumptions	79,812	(18,808)
Economic/Demographic Changes	63,878	70,360
Net change in Total OPEB Liability	<u>159,899</u>	<u>62,519</u>
Total OPEB Liability - Beginning	<u>186,861</u>	<u>124,342</u>
Total OPEB Liability - Ending	<u>346,760</u>	<u>186,861</u>
Covered employee payroll	\$ 332,531	\$ 408,273
Total OPEB Liability as a percentage of Covered employee payroll	104.28%	45.77%

Supplementary Information

City of Everglades City, Florida
Combining Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Fund - Utility
For the fiscal year ended September 30, 2019

	Water	Sewer	Total Proprietary Fund
OPERATING REVENUES			
Charges for services	\$ 689,512	\$ 440,835	\$ 1,130,347
Miscellaneous income	-	5,385	\$ 5,385
Total operating revenue	<u>689,512</u>	<u>446,220</u>	<u>1,135,732</u>
OPERATING EXPENSES			
Personal services	96,889	97,041	193,930
Insurance	22,643	9,979	32,622
Contractual services	159,377	279,063	438,440
Materials and supplies	122,195	41,550	163,745
Utilities	34,040	35,350	69,390
Repairs and maintenance	36,210	41,124	77,334
Total operating expenditures	<u>471,354</u>	<u>504,107</u>	<u>975,461</u>
Operating income (loss)	<u>218,158</u>	<u>(57,887)</u>	<u>160,271</u>
NON-OPERATING REVENUES (EXPENSES)			
Depreciation and loss on disposal	(257,104)	(164,378)	(421,482)
Intergovernmental grants	21,828	-	21,828
Interest expense	(54,578)	(8,885)	(63,463)
Total non-operating revenues (expenses)	<u>(289,854)</u>	<u>(173,263)</u>	<u>(463,117)</u>
Net income (loss) before transfers	<u>(71,697)</u>	<u>(231,150)</u>	<u>(302,846)</u>
Change in net position	(71,697)	(231,150)	(302,846)
Net position - beginning	4,839,545	2,140,561	6,980,106
Net position - ending	<u>\$ 4,767,848</u>	<u>\$ 1,909,411</u>	<u>\$ 6,677,260</u>

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*

To the Honorable Mayor and City Council
City of Everglades City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the business-type activities, and the aggregate remaining fund information of the City of Everglades City, Florida (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 5, 2020 for the purpose of compliance with Section 218.39(2), Florida Statutes, and Chapter 10.550, Rules of the Auditor General – Local Governmental Entity Audits.

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 opinions 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 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.

Internal Control over Financial Reporting , continued

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 matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature in blue ink that reads "Ashley, Brown & Co."

Punta Gorda, Florida
June 5, 2020



366 East Olympia Avenue
Punta Gorda, Florida 33950
Phone: 941.639.6600
Fax: 941.639.6115

REPORT OF INDEPENDENT ACCOUNTANT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Honorable Mayor and City Council
City of Everglades City, Florida

Report on Compliance

We have examined the City of Everglades City, Florida's (the "City's") with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019. 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.

Scope

Our examination was conducted in accordance with AICPA Professional Standards, AT-C Section 315, promulgated by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Opinion

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

A handwritten signature in blue ink that reads "Ashley, Brown & Co." in a cursive style.

Punta Gorda, Florida
June 5, 2020



366 East Olympia Avenue
Punta Gorda, Florida 33950
Phone: 941.639.6600
Fax: 941.639.6115

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Everglades City, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Everglades City, Florida (the “City”), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 5, 2020.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued 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 and schedule, which are dated June 5, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendation 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.d., 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 within 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 determined that there are no special district component units required to report to the City.

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.

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, the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in blue ink that reads "Ashley, Brown & Co."

Punta Gorda, Florida
June 5, 2020

Appendix A - Current Year Findings and Recommendations to Improve Financial Management

ML 2019-001 – Budget Administration

Criteria – Pursuant to Section 166.241, Florida Statutes, it is unlawful for expenditures to exceed more than the amount budgeted in each fund.

Condition – Our comparison of the total expenditures to total appropriations show the City of Everglades City’s expenditures exceed its approved budget for by \$98,519 and \$127,521, for the General fund and the Proprietary Fund, respectively.

Cause – Management did not obtain amendments to the budget prior to year-end.

Effect – Expenditures exceeded the legally adopted budget.

Recommendation – We recommend the City continually monitor, adjust its budget, and request budget amendments as necessary to prevent expenditures from exceeding the approved budget.

Current Year Views of Responsible Officials and Planned Corrective Action: Refer to Management’s Response to the Management Letter.

ML 2019-002 – Budget Administration

Criteria – Pursuant to Section 166.241, the tentative budget must be posted on the municipality’s official website at least 2 days before the budget hearing, held pursuant to s. 200.065 or other law, to consider such budget and must remain on the website for at least 45 days. The final adopted budget must be posted on the municipality’s official website within 30 days after adoption and must remain on the website for at least 2 years. If the municipality does not operate an official website, the municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located, transmit the tentative budget and final budget to the manager or administrator of such county or counties who shall post the budgets on the county’s website. If the governing body of a municipality amends the budget, the adopted amendment must be posted on the official website of the municipality within 5 days after adoption and must remain on the website for at least 2 years. If the municipality does not operate an official website, the municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located, transmit the adopted amendment to the manager or administrator of such county or counties who shall post the adopted amendment on the county’s website.

Condition – The City of Everglades has not published tentative or amended budgets to its website.

Cause – See condition above.

Effect – See condition above.

Recommendation – We recommend the City publish tentative and amended budgets to its website as required by statute.

Current Year Views of Responsible Officials and Planned Corrective Action: Refer to Management's Response to the Management Letter.

City of Everglades

P.O. Box 110, Everglades City, Collier County, Florida 34139

City Hall 102 Copeland Avenue N.

Phone (239) 695-3781

Fax (239) 695-3020

June 9, 2020

Ashley, Brown & Company

366 East Olympia Ave

Punta Gorda, FL 33950

Subject: City of Everglades City Audit for Fiscal Year 2018 – 2019 | Auditee's Response

Dear Mr. Brown,

Please accept this letter as the City of Everglades City's (the "City") Auditee's Response, pursuant to section 10.558(1) of the Rules of the Auditor General.

The City's auditor, Ashley, Brown and Co. (the "City's Auditor") in Appendix A to its audit, included Recommendations to Improve Financial Management with two specific recommendations.

The City concurs with the both recommendations.

1. Recommendation 1: Amending the Budget

The City's Auditor noted the City had not amended its budget to reflect actual expenditures.

The City's Auditor recommended "the City continually monitor and adjust its budget and request budget amendments as necessary to prevent expenditures exceeding the approved budget."

The City previously amended the budget before the end of the fiscal year. The result of this is that some expenses were not finalized at time of amendment.

To remedy this, City staff will recommend amendments to the City budget to City Council each fiscal year, after the end of the fiscal year, as necessary, to reflect the actual, finalized expenditures.

2. Recommendation 2: Posting the Budget on the City's Website

The City's Auditor noted that the City had not published its budgets, tentative budgets, or amended budgets to its website.

The City's Auditor recommended "the City publish tentative and amended budgets to its website as required by statute."

City of Everglades

P.O. Box 110, Everglades City, Collier County, Florida 34139

City Hall 102 Copeland Avenue N.

Phone (239) 695-3781

Fax (239) 695-3020

This had not come up in the previous year's audit because this was the first audit to take place after the City launched its official website. This was an unintentional error resulting primarily from the City not having experience running a website.

To remedy this, the current City budget (as well as the budgets from the prior two years) has been uploaded to the City's website and is available here:

<https://www.cityofeverglades.org/budget>.

All future budgets will be timely uploaded to the City's website as required by section 166.241, Florida Statutes, including tentative budgets and amendments.

Should you have any questions regarding the foregoing response, please contact me.

Sincerely,



Howell Grimm, Jr.

Mayor, City of Everglades City