

CITY OF LABELLE, FLORIDA

Annual Financial Report

September 30, 2019

CITY OF LABELLE, FLORIDA

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Honorable Mayor and City Commissioners
City of LaBelle, 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 LaBelle, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LaBelle, Florida's basic financial statements. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplemental schedules are 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 19, 2020, on our consideration of the City of LaBelle, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of LaBelle, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of LaBelle, Florida's internal control over financial reporting and compliance.

Boy, Miller, Kisker & Perry, P.A.

LaBelle, Florida
June 19, 2020

CITY OF LABELLE, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis presents a narrative overview and analysis of the City of LaBelle's (City) financial performance for the fiscal year ended September 30, 2019. It is designed to provide a broad overview and a short and long-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activities, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), clarify material deviations from the approved budget, and explain individual fund issues. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements (beginning on page 12) and notes to the financial statements (pages 27-73).

HIGHLIGHTS

Financial Highlights for the Fiscal Year Ended September 30, 2019.

1. The City's overall net position increased by \$83,381 as revenues were greater than expenses in the governmental activities, but less than expenses in the business-type activities.
2. The total cost of all the City's programs was \$7,748,569 which was greater than the previous year by \$126,799.
3. The City's governmental activities increased net position by \$554,578 as a result of program and general revenues exceeding program expenses for governmental activities.
4. During the year, the City had expenses of \$4,112,371 for governmental activities which was \$52,806 greater than the previous year.
5. The City's business-type activities decreased net position by \$471,197 as operating expenses and interest expense were greater than charges for services, interest income, and capital contributions.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 financial information on all of the City's assets, liabilities, and deferred inflow/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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 for some items that will result in cash flows in future fiscal periods.

Governmental Activities

Most of the City's basic services are reported in the governmental activities including policing services, fire, animal control, streets and parks departments, and general administration. Property taxes, special assessments, franchise fees, and intergovernmental revenues finance most of these activities.

Business-type Activities

The City provides water and sewer services through customer charges that help the City recover the cost of these services. The City's Water and Sewer Fund is reported as a business-type activity.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported in 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 cash, as well as cash balances available at year end (fund balance). Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, so 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 long-term impacts of 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. (See pages 16 and 19).

The City maintains only one governmental fund; the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund.

The City adopts an annual appropriated budget for the governmental fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. See Other Information on the following page.

Proprietary Funds

The City's charges for water and sewer services and related expenses are reported in the proprietary fund. Proprietary funds are reported using the same accounting method that is used to report these activities in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary fund.

Fiduciary (Trust and Agency) Funds - The City as a Trustee

The City is the trustee, or fiduciary, for the Firefighters Pension Trust Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. We excluded these activities from the City's other financial statements because the City is required to use these resources to provide benefits to participants in the pension plan. Also, the City provides solid waste disposal services through an independent contractor. The charges for solid waste disposal services and payments to the independent contractor for these services are accounted for in an Agency Fund, which is shown on pages 25 and 91, where assets equal liabilities.

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 27-73.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, including a budgetary comparison schedule for the General Fund, and detailed information concerning the City's obligation to provide pension and postemployment benefits to its employees. The required supplementary information can be found on pages 74-84 of this report.

Additional supplemental schedules are included in this report on pages 85-91 to provide information about interlocal agreements, breakdown of revenue, expenses, and budget comparisons for the water and sewer systems and a schedule of changes of assets and liabilities of the Agency Fund. Information about the City's federal awards and state financial assistance is shown on pages 92-94.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

During the fiscal year ended September 30, 2019, the City's combined net position increased to \$28.19 million from \$28.11 million, at the beginning of the year or \$83,381. The City's net position of the governmental activities increased \$554,578. Net position of the business-type activities decreased \$471,197. The City's unrestricted net position for governmental activities (the part of net position that can be used to finance day-to-day operations) was \$2.58 million as of September 30, 2019, an increase of \$.52 million from September 30, 2018.

The condensed Statements of Net Position and Changes in Net Position on the following pages provide a comprehensive analysis of the government-wide financial information for the fiscal years ended September 30, 2019, and September 30, 2018.

GOVERNMENT WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the current and preceding years:

Summary of Statement of Net Position as of September 30, 2019, and September 30, 2018 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,808	\$ 4,470	\$ 3,603	\$ 3,260	\$ 8,411	\$ 7,730
Capital assets	<u>7,321</u>	<u>6,801</u>	<u>30,722</u>	<u>31,916</u>	<u>38,043</u>	<u>38,717</u>
Total assets	<u>12,129</u>	<u>11,271</u>	<u>34,325</u>	<u>35,176</u>	<u>46,454</u>	<u>46,447</u>
Deferred outflows of resources	<u>506</u>	<u>544</u>	<u>227</u>	<u>241</u>	<u>733</u>	<u>785</u>
Total assets and deferred outflows of resources	<u>12,635</u>	<u>11,815</u>	<u>34,552</u>	<u>35,417</u>	<u>47,187</u>	<u>47,232</u>
Long-term liabilities	1,784	1,535	15,876	16,149	17,660	17,684
Other liabilities	<u>302</u>	<u>231</u>	<u>800</u>	<u>912</u>	<u>1,102</u>	<u>1,143</u>
Total liabilities	<u>2,086</u>	<u>1,766</u>	<u>16,676</u>	<u>17,061</u>	<u>18,762</u>	<u>18,827</u>
Deferred inflows of resources	<u>185</u>	<u>240</u>	<u>48</u>	<u>57</u>	<u>233</u>	<u>297</u>
Total liabilities and deferred inflows of resources	<u>2,271</u>	<u>2,006</u>	<u>16,724</u>	<u>17,118</u>	<u>18,995</u>	<u>19,124</u>
Net position:						
Invested in capital assets, net of related debt	6,973	6,800	15,197	16,085	22,170	22,885
Restricted	814	948	2,475	2,424	3,289	3,372
Unrestricted	<u>2,577</u>	<u>2,061</u>	<u>156</u>	<u>(210)</u>	<u>2,733</u>	<u>1,851</u>
Total net position	<u>\$ 10,364</u>	<u>\$ 9,809</u>	<u>\$ 17,828</u>	<u>\$ 18,299</u>	<u>\$ 28,192</u>	<u>\$ 28,108</u>

For more detailed information, see the Statement of Net Position on page 12.

Statement of Activities

The following table reflects the condensed Statement of Activities, which shows the revenues and expenses of the total primary government broken down by governmental activities and business-type activities for the current and preceding years:

Summary of Statement of Activities for the Fiscal Years Ended September 30, 2019, and September 30, 2018 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues, fees, fines and charges for services	\$ 1,770	\$ 1,804	\$ 3,058	\$ 2,986	\$ 4,828	\$ 4,790
Operating grants and contributions	106	104	77	-	183	104
Capital grants and contributions	419	834	3	75	422	909
General revenues						
Property taxes	753	699	-	-	753	699
Other taxes	708	691	-	-	708	691
Intergovernmental	796	771	-	-	796	771
Other	115	30	27	22	142	52
Total revenues	<u>4,667</u>	<u>4,933</u>	<u>3,165</u>	<u>3,083</u>	<u>7,832</u>	<u>8,016</u>
Expenses						
General government	1,298	1,051	-	-	1,298	1,051
Public safety	798	934	-	-	798	934
Physical environment	39	30	-	-	39	30
Public works	1,055	1,175	3,636	3,562	4,691	4,737
Culture and recreation	574	539	-	-	574	539
Economic environment	28	24	-	-	28	24
Human services	258	230	-	-	258	230
Disaster expenses	56	74	-	-	56	74
Interest on long-term debt	6	3	-	-	6	3
Total expenses	<u>4,112</u>	<u>4,060</u>	<u>3,636</u>	<u>3,562</u>	<u>7,748</u>	<u>7,622</u>
Changes in net position	<u>\$ 555</u>	<u>\$ 873</u>	<u>\$ (471)</u>	<u>\$ (479)</u>	<u>\$ 84</u>	<u>\$ 394</u>
Ending net position	<u>\$ 10,364</u>	<u>\$ 9,809</u>	<u>\$ 17,828</u>	<u>\$ 18,299</u>	<u>\$ 28,192</u>	<u>\$ 28,108</u>

For more detailed information, see the Statement of Activities on pages 13-14.

Governmental Activities

The increase in net position of governmental activities for the fiscal year ended September 30, 2019, was \$554,578 which resulted from governmental activities program and general revenues being greater than expenses. Depreciation on governmental activities capital assets was \$361,878 for the fiscal year ended September 30, 2019.

Business-type Activities

The decrease in net position of business-type activities for the fiscal year ended September 30, 2019, was \$471,197, which was a result of charges for services, interest income, and capital contributions being less than operating expenses and interest expense.

THE CITY'S FUNDS

Governmental Type Funds (General Fund)

As of September 30, 2019, the governmental fund (as presented on page 15) reported a fund balance of \$3.87 million which is \$.23 million greater than at the beginning of the year (\$3.64 million). The General Fund experienced a net increase in the fund balance of \$234,480 due to revenues and other financing sources over expenditures using the modified accrual basis of accounting during the fiscal year ended September 30, 2019. The adjustments to reconcile the \$234,480 increase in the fund balance of the General Fund to the \$554,578 increase in net position of governmental activities is shown on page 19.

Business-type Funds (Proprietary Fund - Water and Sewer Fund)

As of year-end, the business-type fund (Water and Sewer Fund) reported a combined net position of \$17.83 million which is 2.57% less than at the beginning of the year (\$18.30 million).

The Water and Sewer Fund's decrease in net position primarily resulted from operating income and expenses which were approximately equal and interest expense (\$483,348) which was greater than capital contributions (\$79,629) received by the system during the fiscal year ended September 30, 2019. Rate changes were made in prior years to increase the revenues of the system and the water system improvement project was completed during the fiscal year ended September 30, 2014. The City completed a \$2 million wastewater recycling project during the fiscal year ended September 30, 2016.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2019, the City Commission made no revisions or amendments to the City's budget.

The General Fund's actual revenues were \$797,168 greater than budgeted, primarily due to greater than anticipated receipts for taxes and special assessments during the fiscal year ended September 30, 2019.

The General Fund's actual expenditures were \$12,688 greater than budgeted, primarily due to unfavorable budget variances in the expenditures for general government, physical environment, and human services for the fiscal year ended September 30, 2019.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$38,042,569 (net of depreciation) invested in a broad range of capital assets, including land, buildings, fire and street equipment, park facilities, roads, and water and sewer utility systems. This amount represents a net decrease (including additions, deletions, and current depreciation) of \$674,282 or 1.74% less than last year. See pages 39 and 40 in the notes to the financial statements for detailed changes in capital assets.

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land & improvements	\$ 3,067,601	\$ 2,941,501	\$ 1,460,391	\$ 1,466,338	\$ 4,527,992	\$ 4,407,839
Buildings, utility treatment plants and systems	1,425,965	929,789	29,156,611	30,328,671	30,582,576	31,258,460
Equipment, furniture and fixtures	974,778	1,008,580	104,859	121,373	1,079,637	1,129,953
Roads and streets	<u>1,852,364</u>	<u>1,920,599</u>	<u>-</u>	<u>-</u>	<u>1,852,364</u>	<u>1,920,599</u>
Totals	<u>\$ 7,320,708</u>	<u>\$ 6,800,469</u>	<u>\$ 30,721,861</u>	<u>\$ 31,916,382</u>	<u>\$ 38,042,569</u>	<u>\$ 38,716,851</u>

The City budgeted an additional \$830,235 in capital expenditures for the fiscal year ended September 30, 2020, which consisted of \$729,752 in capital expenditures in the governmental fund and \$100,483 in capital expenditures in the business-type fund.

The City has completed the wastewater collection phase of their expansion to the utility system and the construction of a new reverse osmosis water treatment plant. The cost of the new water treatment plant was approximately \$19 million. The City financed the water treatment plant project by a \$13 million USDA Rural Development loan and a \$6 million USDA Rural Development grant. The City completed a wastewater recycling project at a cost of \$2 million during the fiscal year ended September 30, 2016, and completed a LaBelle wharf project during the fiscal year ended September 30, 2018.

Debt

At September 30, 2019, the City had \$17,886,538 in notes and bonds payable, OPEB liability, and net pension liability outstanding versus \$17,857,867 at September 30, 2018, (a increase of .16%) as shown in the schedule below.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 95,048	\$ 141,015	\$ 156,466	\$ 168,525	\$ 251,514	\$ 309,540
Revenue bonds payable (secured by general fund revenues and water and sewer net revenue)	252,700	-	15,368,000	15,663,000	15,620,700	15,663,000
OPEB liability	76,078	152,666	41,109	81,592	117,187	234,258
Net pension liability	<u>1,269,440</u>	<u>1,108,463</u>	<u>627,697</u>	<u>542,606</u>	<u>1,897,137</u>	<u>1,651,069</u>
Totals	<u>\$ 1,693,266</u>	<u>\$ 1,402,144</u>	<u>\$ 16,193,272</u>	<u>\$ 16,455,723</u>	<u>\$ 17,886,538</u>	<u>\$ 17,857,867</u>

See Notes 8 through 12 for more information about the City's debt, such as interest rates and amortization of debt.

Other obligations of the City include accrued vacation pay and sick leave. (See Note 13)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City Commission considered many factors while determining the fiscal year 2020 budget, setting the new millage rate and special assessments, and analyzing the fees which will be charged by the business-type activities. One of those factors was the economy.

LaBelle's local economy consists largely of retail, agriculture, and service industries. Some of the largest business entities in LaBelle include agribusiness, general merchandise, grocery, and vehicle retail establishments. Hendry County's unemployment rate was 4.8% in December, 2019, which was .2% lower than December, 2018. The labor force in 2019 was approximately 16,000.

Preparations continue to be made for new commercial establishments and residential housing within the City. Many developers are contacting the City to do residential and/or commercial projects. However, changes in the economy due to Covid-19 have potentially delayed some of the development projects. Discussion is resuming on some of the delayed and previously abandoned development projects. Some projects have been approved and are moving forward in the development process. The City is in the process of a major project to convert septic tanks to City central sewer in the NE quadrant of the City, which will facilitate several projects in the near future.

The current real estate market and general economy in Hendry County and surrounding areas suffered a considerable slowdown that is now beginning to pick back up. While activity has not yet resumed at the pre-recession or pre-Covid-19 pace, it appears the local market and economy is slowly recovering. Activity is resuming and several projects have been permitted and are in the construction phase. The future prospects, while dimmer just a month ago, are once again beginning to look slightly more positive.

The City also continues to recover from the direct hit suffered from Hurricane Irma during the weekend of September 10, 2017. Some residents are still recovering from the damage caused by the hurricane. Local agriculture was especially hard hit and will still take years to recover. The City has expended \$.30 million as of September 30, 2019, in recovery efforts and repairs. Previous hardening of infrastructure and facilities definitely mitigated damages. While some of this cost has been covered by insurance, the City is hopeful the remainder of the cost will eventually be covered by grants from the Federal Emergency Management Agency.

The City budgeted government-wide revenues of \$7.69 million and government-wide expenditures of \$7.95 million, including \$.83 million in capital expenditures for the fiscal year ended September 30, 2020. If the budgeted revenues and expenditures are realized, the City's financial reserves will be decreased by \$.26 million during fiscal year 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an understanding of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this financial report or need additional information, contact the City Finance Department at the City of LaBelle, 481 Highway 80 West, LaBelle, Florida, 33935.

CITY OF LABELLE, FLORIDA
Government-wide Statement of Net Position
September 30, 2019

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash	\$ 476,251	\$ 35,575	\$ 511,826
Investments	2,166,523	1,005,518	3,172,041
Receivables (net of allowance for doubtful accounts)			
Taxes and special assessments	46,316	50,468	96,784
Accounts	177,175	444,675	621,850
Accrued interest	-	44,978	44,978
Due from other governments	468,905	6,057	474,962
Internal balances	814,493	(814,493)	-
Restricted assets			
Cash	3,741	322,661	326,402
Investments	-	2,507,645	2,507,645
Capital assets			
Land and improvements	3,067,601	1,466,338	4,533,939
Depreciable capital assets, net	4,253,107	29,255,523	33,508,630
Net pension asset	655,276	-	655,276
Total assets	12,129,388	34,324,945	46,454,333
Deferred outflows of resources			
Deferred outflows related to pension plans	506,176	226,554	732,730
Total assets and deferred outflows of resources	12,635,564	34,551,499	47,187,063
Liabilities			
Accounts payable	134,034	46,021	180,055
Accrued liabilities	114,956	81,832	196,788
Accrued interest	1,952	-	1,952
Notes payable - due within one year	46,973	-	46,973
Liabilities payable from restricted assets			
Accrued interest	3,741	38,272	42,013
Deposits payable	-	317,250	317,250
Current portion of long-term debt	-	317,388	317,388
Due in more than one year			
Notes payable	48,075	144,078	192,153
Revenue bonds payable	252,700	15,063,000	15,315,700
Compensated absences	137,881	-	137,881
OPEB liability	76,078	41,109	117,187
Net pension liability	1,269,440	627,697	1,897,137
Total liabilities	2,085,830	16,676,647	18,762,477
Deferred inflows of resources			
Deferred inflows related to pension plans	185,636	47,091	232,727
Total liabilities and deferred inflows of resources	2,271,466	16,723,738	18,995,204
Net position			
Invested in capital assets, net of related debt	6,972,960	15,197,395	22,170,355
Restricted for construction and debt retirement	-	2,474,784	2,474,784
Restricted for noncurrent receivables	814,493	-	814,493
Unrestricted	2,576,645	155,582	2,732,227
Total net position	\$ 10,364,098	\$ 17,827,761	\$ 28,191,859

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Government-wide Statement of Activities
Year Ended September 30, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 1,297,691	\$ 117,532	\$ -	\$ -	\$ (1,180,159)
Public safety					
Police	257,509	326,731	-	-	69,222
Fire	441,929	463,029	-	67,475	88,575
Protective inspections	98,331	-	-	-	(98,331)
Total public safety	797,769	789,760	-	67,475	59,466
Physical environment					
Mosquito control	24,753	-	-	-	(24,753)
Stormwater management	13,857	-	-	141,123	127,266
Total physical environment	38,610	-	-	141,123	102,513
Transportation					
Streets and lighting	1,054,679	493,108	-	-	(561,571)
Culture and recreation					
Library	25,000	-	-	-	(25,000)
Parks and recreation	435,571	213,028	-	-	(222,543)
Civic Center and Hendry House	114,005	23,504	-	211,000	120,499
Total culture and recreation	574,576	236,532	-	211,000	(127,044)
Economic environment					
Economic development	28,089	-	-	-	(28,089)
Human services					
Animal control	258,126	133,684	-	-	(124,442)
Disaster expenses					
Hurricane Irma	56,586	-	106,071	-	49,485
Interest on long-term debt	6,245	-	-	-	(6,245)
Total governmental activities	4,112,371	1,770,616	106,071	419,598	(1,816,086)
Business-type activities					
Water System	2,244,750	2,179,893	68,365	-	3,508
Sewer System	1,391,448	877,871	8,364	2,900	(502,313)
Total business-type activities	3,636,198	3,057,764	76,729	2,900	(498,805)
Total	\$ 7,748,569	\$ 4,828,380	\$ 182,800	\$ 422,498	\$ (2,314,891)

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Government-wide Statement of Activities (continued)
September 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Net (expense) / revenue from previous page	\$ (1,816,086)	\$ (498,805)	\$ (2,314,891)
General revenues			
Taxes	1,460,991	-	1,460,991
Intergovernmental	795,748	-	795,748
Investment income	12,374	27,608	39,982
Miscellaneous	<u>101,551</u>	<u>-</u>	<u>101,551</u>
Total general revenues	<u>2,370,664</u>	<u>27,608</u>	<u>2,398,272</u>
Changes in net position	554,578	(471,197)	83,381
Net position, October 1, 2018	<u>9,809,520</u>	<u>18,298,958</u>	<u>28,108,478</u>
Net position, September 30, 2019	<u>\$ 10,364,098</u>	<u>\$ 17,827,761</u>	<u>\$ 28,191,859</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2019

Assets

Cash	\$ 479,992
Investments	2,166,523
Receivables	
Accounts	177,175
Taxes	8,043
Special assessments	7,375
Due from other funds	814,493
Due from other governments	<u>468,905</u>
Total assets	<u>\$ 4,122,506</u>

Liabilities and Fund Balance

Liabilities	
Accounts payable	\$ 134,034
Accrued liabilities	<u>114,956</u>
Total liabilities	<u>248,990</u>
Fund balance	
Nonspendable	814,493
Unassigned	<u>3,059,023</u>
Total fund balance	<u>3,873,516</u>
Total liabilities and fund balance	<u>\$ 4,122,506</u>

See accompanying notes to financial statements.

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

Total fund balance - governmental funds	\$ 3,873,516
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.	7,320,708
Other assets that are not available to pay for current-period expenditures are not reported in the funds.	30,898
OPEB liability is not reported in the funds	(76,078)
Assets, liabilities, and deferred outflows/inflows of resources related to the pension plans are not reported in the funds.	(293,624)
Long-term liabilities, including notes, bonds, compensated absences and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(491,322)</u>
Net position of governmental activities	<u>\$ 10,364,098</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds
Year Ended September 30, 2019

Revenues	
Taxes and special assessments	\$ 3,022,187
Licenses and permits	61,105
Intergovernmental revenue	928,253
Charges for services	489,117
Fines and forfeitures	27,892
Miscellaneous revenues	<u>60,842</u>
Total revenues	<u>4,589,396</u>
Expenditures	
Current	
General government	<u>1,194,306</u>
Public safety	
Police	257,509
Fire	446,969
Protective inspections	<u>90,850</u>
Total public safety	<u>795,328</u>
Physical environment	
Stormwater drainage	205,067
Mosquito control	<u>24,331</u>
Total physical environment	<u>229,398</u>
Transportation	
Streets and lighting	<u>960,799</u>
Culture and recreation	
Library	25,000
Parks	368,584
Civic Center and Hendry House	<u>646,774</u>
Total culture and recreation	<u>1,040,358</u>
Economic environment	
Economic development	<u>28,089</u>
Human services	
Animal control	<u>253,717</u>
Disaster expenses	
Hurricane Irma	<u>56,586</u>
Debt service - fire trucks	
Principal retirement	45,967
Interest	<u>3,068</u>
Total debt service	<u>49,035</u>
Total expenditures	<u>4,607,616</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds (continued)
Year Ended September 30, 2019

Excess of revenues under expenditures	(18,220)
Other financing sources (uses)	
Issuance of debt	<u>252,700</u>
Net changes in fund balance	234,480
Fund balance - October 1, 2018	<u>3,639,036</u>
Fund balance - September 30, 2019	<u>\$ 3,873,516</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2019

Net changes in fund balance - total governmental funds	\$ 234,480
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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. This is the amount by which capital outlays in the governmental funds exceeded depreciation expense in the Statement of Activities in the current period.</p>	520,239
Net effect of various transactions involving available financial resources	965
Net changes in pension related outflows/inflows of resources and net pension asset/liability	(108,401)
Net change in OPEB liability	76,588
Net changes in debt other than net pension liability and OPEB liability	<u>(169,293)</u>
Changes in net position of governmental activities	<u>\$ 554,578</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2019

	Business-type Activities Enterprise Fund Water and Sewer Systems
Current Assets	
Cash	\$ 35,575
Investments	1,005,518
Receivables, net	
Accounts	444,675
Special assessments	50,468
Accrued interest	44,978
Due from other governments	6,057
Total current assets	1,587,271
Restricted assets	
Cash	322,661
Investments	2,507,645
Total restricted assets	2,830,306
Capital assets	
Land and improvements	1,466,338
Depreciable capital assets, net	29,255,523
Total capital assets	30,721,861
Total assets	35,139,438
Deferred outflows of resources	
Deferred outflows related to pension plans	226,554
Total assets and deferred outflows of resources (carried forward)	35,365,992

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Net Position
Proprietary Funds (continued)
September 30, 2019

	Business-type Activities Enterprise Fund Water and Sewer Systems
Total assets and deferred outflows of resources (brought forward)	35,365,992
Liabilities	
Current liabilities	
Accounts payable	46,021
Accrued liabilities	81,832
Total current liabilities	127,853
Liabilities payable from restricted assets	
Accrued interest	38,272
Deposits payable	317,250
Current portion of long-term debt	317,388
Total liabilities payable from restricted assets	672,910
Noncurrent liabilities	
Due to other funds	814,493
Notes payable	144,078
Revenue bonds payable	15,063,000
OPEB liability	41,109
Net pension liability	627,697
Total noncurrent liabilities	16,690,377
Total liabilities	17,491,140
Deferred inflows of resources	
Deferred inflows related to pension plans	47,091
Total liabilities and deferred inflows of resources	17,538,231
Net position	
Invested in capital assets, net of related debt	15,197,395
Restricted for construction and debt retirement	2,474,784
Unrestricted	155,582
Total net position	\$ 17,827,761

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2019

	Business-type Activities Enterprise Fund Water and Sewer Systems
Operating revenues	
Charges for services	<u>\$ 3,057,764</u>
Operating expenses	
Administrative	206,672
Treatment plants	1,273,014
Water distribution	296,370
Wastewater collection	167,842
Depreciation	<u>1,208,952</u>
Total operating expenses	<u>3,152,850</u>
Operating loss	<u>(95,086)</u>
Nonoperating revenues (expenses)	
Interest income	27,608
Interest expense and fiscal charges	<u>(483,348)</u>
Total nonoperating revenues (expenses)	<u>(455,740)</u>
Net loss before contributions	(550,826)
Capital contributions	<u>79,629</u>
Changes in net position	(471,197)
Net position - October 1, 2018	<u>18,298,958</u>
Net position - September 30, 2019	<u>\$ 17,827,761</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2019

	Business-type Activities Enterprise Fund Water and Sewer Systems
Cash flows from operating activities:	
Cash received from customers	\$ 2,990,612
Cash payments for goods and services	(1,264,085)
Cash payments to employees for services and related payroll costs	(735,141)
Net cash provided by operating activities	991,386
Cash flows from noncapital financing activities:	
Deposits received from customers less deposits returned to customers	23,656
Net cash provided by noncapital financing activities	23,656
Cash flows from capital and related financing activities	
Capital contributed - impact fees and FEMA grants	73,572
Net change in due to other funds	(133,062)
Acquisition and construction of capital assets	(14,431)
Principal paid on revenue bonds payable	(295,000)
Principal paid on note payable	(12,059)
Interest paid on notes and revenue bonds payable	(484,264)
Net cash used for capital and related financing activities	(865,244)
Cash flows from investing activities:	
Principal received on special assessments	987
Interest received on special assessments	1,415
Interest received on investments	23,056
Net cash provided by investing activities	25,458
Net increase in cash and cash equivalents	175,256
Cash and cash equivalents - October 1, 2018	3,696,143
Cash and cash equivalents - September 30, 2019	\$ 3,871,399

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Cash Flows (continued)
Proprietary Funds
Year Ended September 30, 2019

	Business-type Activities Enterprise Fund Water and Sewer Systems
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (95,086)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,208,952
Changes in assets and liabilities:	
Increase in trade receivables	(26,669)
Decrease in trade accounts payable	(125,483)
Decrease in accrued payroll and compensated absences	(19,121)
Increase in pension related liability and outflows/inflows of resources	89,276
Decrease in OPEB Liability	<u>(40,483)</u>
Total adjustments	<u>1,086,472</u>
Net cash provided by operating activities	<u><u>\$ 991,386</u></u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2019

	<u>Firefighters Pension Trust Fund</u>	<u>Agency Fund</u>
Assets		
Investments	\$ 1,832,405	\$ 172,838
Receivables, net	<u>2,838</u>	<u>94,722</u>
Total assets	<u>1,835,243</u>	<u>\$ 267,560</u>
Liabilities		
Accounts payable	<u>-</u>	<u>\$ 267,560</u>
Total liabilities	<u>-</u>	<u>\$ 267,560</u>
Net position		
Held in trust for pension benefits	<u>1,835,243</u>	
Total net position	<u>\$ 1,835,243</u>	

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2019

	<u>Firefighters Pension Trust Fund</u>
Additions	
Contributions and earnings	
Employer	\$ 32,749
Employee	1,533
State	13,722
Investment earnings	<u>93,682</u>
Total contributions and earnings	<u>141,686</u>
Deductions	
Administrative	5,734
Benefits	<u>2,942</u>
Total deductions	<u>8,676</u>
Changes in net position	133,010
Net position - October 1, 2018	<u>1,702,233</u>
Net position - September 30, 2019	<u>\$ 1,835,243</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

The accounting methods and procedures adopted by the City of LaBelle, Florida, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City of LaBelle's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of LaBelle (the City) was incorporated under the Florida Statutes, Acts of 1925, Chapter 11580 - (245). The City is governed by a five-member board consisting of an elected mayor and four other elected commissioners. The City's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the City owns and operates water and sewer systems.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Statement affecting the financial statements include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's governmental and business-type activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City elected to implement the general provisions of the Statement during the fiscal year ended September 30, 2003, and made the adjustment to retroactively report infrastructure assets (assets acquired prior to October 1, 2002) during the fiscal year ended September 30, 2007.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity

Government Accounting Standards Board (GASB) Statement 14 entitled "The Financial Reporting Entity" establishes criteria for determining which organizations should be included in a governmental financial reporting entity. Based upon application of these criteria, the City has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the City Commission that would be considered component units to be included in the financial statements of the City.

Basic Financial Statements - Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, streets and sidewalks, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City had no nonmajor funds to be reported in the fund financial statements.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund

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.

Proprietary Funds

The focus of the proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flow. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund (Water and Sewer Fund) of the City:

Enterprise Funds

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds (Firefighters' Pension Trust Fund and Agency Fund) are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments (continued)

The City does not have an adopted investment policy since it follows Florida Statute 218.45 for investment decisions. Florida Statutes authorize investments that include money market accounts, savings accounts, repurchase agreements, the Florida State Board of Administration (SBA) Florida PRIME, obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds. In addition, the pension trust plan for the firefighters is allowed to invest in equity securities, corporate bonds, and mutual funds.

The City follows state statutes for allowable investments. However, state statutes do not specifically address the risks disclosed in GASB No. 40. No policy exists for the following risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

For all funds, except the pension trust fund which is required to be invested separately, investments consist of noninterest-bearing and interest-bearing bank accounts at financial institutions that qualify as public depositories. These funds are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Securities for Public Deposits Act (Florida Statutes 280).

Investments of the pension fund consist of mutual funds and cash equivalents. All investments, except as noted below, are reported at fair market value using quoted market prices. Money market investments with a remaining maturity at the time of purchase of one year or less are reported at amortized cost. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings. Purchases and sales of investments are recorded on the trade dates. Net realized gains and losses on sale of investments are reflected in current operating results as investment earnings along with interest and dividends.

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Buildings	40 years
Water and sewer system	30 - 50 years
Machinery and equipment	5 - 10 years
Improvements	10 - 20 years
Other infrastructure	10 - 40 years

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended September 30, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2007. The City elected to implement the general provisions of GASB Statement No. 34 during the fiscal year ended September 30, 2003, and implemented the retroactive infrastructure provisions in the fiscal year ended September 30, 2007.

The City engaged a professional consultant to determine the proper amounts for the retroactive infrastructure provisions implementation. The City recorded the amounts provided by the professional consultant for the retroactive infrastructure assets as of September 30, 2006, by adjusting the beginning balances for the governmental activities capital assets of the City.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The significant components of the deferred outflows of resources shown in the statement of net position for the year ended September 30, 2019, are as follows.

Florida Retirement System Pension Plan	\$ 599,120
Florida Retirement System Retiree Health Insurance Subsidy Program	82,994
Firefighters' Retirement Plan	<u>50,616</u>
Total deferred outflows related to pension plans	<u>\$ 732,730</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

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 applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The significant components of the deferred inflows of resources shown in the statement of net position for the year ended September 30, 2019, are as follows.

Florida Retirement System Pension Plan	\$ 84,340
Florida Retirement System Retiree Health Insurance Subsidy Program	52,421
Firefighters' Retirement Plan	<u>95,966</u>
Total deferred inflows related to pension plans	<u>\$ 232,727</u>

See Notes 18-20 on pages 52-68 for additional information concerning the breakdown of deferred outflows/inflows of resources for the year ended September 30, 2019.

Net Position and Fund Balances

In the government-wide financial statements, the difference between the City's total assets, liabilities, and deferred outflows/inflows of resources represents net position. Net position has three components - invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Commission through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Commission. Assigned fund balance is a limitation imposed by a designee of the City Commission. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net position is classified the same as in the government-wide statements.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period the inventory items are used, rather than in the period purchased.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. The City uses the vesting method in accruing sick leave liability. The vesting method accrues sick leave liability for employees who are currently eligible to receive termination payments upon separation, as well as those expected to become eligible in the future. An employee is entitled to a termination payment for sick leave after ten years of service.

Proprietary Fund

The only nonoperating revenue for the Proprietary Fund was investment earnings (interest income). All other revenues were considered operating revenues.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as internal balances (government-wide statements) or as interfund receivables and payables (fund financial statements) as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental activities and business-type activities are netted as transfers - internal in the government-wide financial statements. There were no transfers - internal between governmental activities and business-type activities during the fiscal year ended September 30, 2019.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalization Policy

The capitalization policy of the City is to capitalize all assets with a cost of \$5,000 or more with an expected life of one year or more.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the legally adopted budgetary data of the City's funds, as reflected in the financial statements:

1. During August or September of each year, the Treasurer submits to the City Commission proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them. Budgetary control is established at the fund level.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budgets are legally enacted through passage of a Resolution required by the State of Florida.
4. The budgets of the City's funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted revenues and expenditures in the accompanying financial statements reflect amounts as originally adopted. There were no amendments made to the budget during the fiscal year ended September 30, 2019.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

Cash

At year end, the City's cash consisted of funds in petty cash and non-interest bearing bank accounts in financial institutions which have been designated qualified public depositories. The petty cash for all funds at September 30, 2019, was \$1,475. The noninterest-bearing bank accounts totaled \$836,753 at September 30, 2019.

Deposits

At September 30, 2019, the carrying amount of the City's noninterest-bearing and interest-bearing bank accounts (including agency fund) was \$6,689,277 and the banks' balances were \$6,746,422. The difference was due to checks that had been written but not yet paid by the banks and deposits in transit.

These deposits are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Under this Act, financial institutions that qualify as public depositories pledge securities that have a market value equal to 50% - 125% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Depository Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

Investments

Florida Statutes authorize investments that include money market accounts, savings accounts repurchase agreements, the Florida State Board of Administration (SBA) Florida PRIME, obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds.

During the year, investments consisted of interest-bearing bank accounts and an investment in a single employer defined benefit pension plan. At September 30, 2019, the City had the following investments:

Interest-bearing bank accounts (including agency fund)	\$ 5,852,524
Investment in single employer defined benefit pension plan (firefighters' retirement plan)	<u>1,832,405</u>
	<u>\$ 7,684,929</u>

Due to the City's use of short-term interest-bearing bank accounts in financial institutions that are covered by federal depository insurance or collateral pledged under Florida Statutes Chapter 280, it is considered that credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk to these assets are nominal or nonexistent.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments (continued)

Fair Value - Firefighters' Retirement Plan

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Securities classified as Level 2 are valued using quoted prices for similar assets in active markets. Securities are classified as Level 3 when relevant Level 1 and Level 2 inputs are unavailable. The City had the following fair value measurements as of September 30, 2019:

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Broad Market HQ Bond Fund	\$ 280,358	\$ -	\$ 280,358	\$ -
Core Plus Fixed Income Fund	262,034	-	-	262,034
Diversified Value Large Cap	635,845	-	635,845	-
Diversified Small to Mid Cap Equity	210,726	-	210,726	-
International Equity Portfolio	265,699	-	265,699	-
Core Real Estate	<u>177,743</u>	<u>-</u>	<u>-</u>	<u>177,743</u>
Total Investments Measured at Fair Value	<u>\$ 1,832,405</u>	<u>\$ -</u>	<u>\$ 1,392,628</u>	<u>\$ 439,777</u>

The firefighters participate in the Florida Municipal Pension Trust Fund Defined Benefit Plan and Trust administered by the Florida League of Cities. The concentration of credit risk and foreign currency risk are addressed by having a diversified group of pooled funds with only 14.5% invested in an international stock pooled fund.

More information regarding the firefighters' retirement plan can be found in Note 19 beginning on page 60.

NOTE 3 - PROPERTY TAXES

In general, the City is permitted by the State to levy property taxes up to \$10 per \$1,000 of assessed valuation for general governmental services. There are some limitations as to the amount of the annual increase in tax levy; however, these limitations can be overridden by a majority vote of the City Commission. The tax levy rate for general government services for the year ended September 30, 2019, was \$3.6046 per \$1,000, and was adopted by resolution on September 27, 2018.

Ad valorem taxes are levied on property values as of January 1 with the millage established during September. The taxes are due and payable on November 1 of each year. Liens are placed on property as of January 1. All unpaid taxes become delinquent on April 1 following the year in which they are levied. Discounts are allowed for early payment based on a graduated scale until taxes paid in March are without any discount. On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes.

The City accrues property tax revenue in the fund statements only to the extent that the revenue is measurable and available since the collection of these taxes coincides with the fiscal year in which levied, and the City consistently has no material uncollected property taxes at year end. The billing and collection of all property taxes is done for the City by Hendry County.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 4 - ACCOUNTS RECEIVABLE - BUSINESS-TYPE ACTIVITIES AND AGENCY FUND

Accounts receivable of the business-type activities and agency fund consisted of the following as of September 30, 2019:

	Business-type Activities	Agency Fund
Billed	\$200,115	\$ 16,167
Unbilled	<u>244,560</u>	<u>78,555</u>
Total	<u>\$444,675</u>	<u>\$ 94,722</u>

NOTE 5 - INTERNAL BALANCES AND TRANSFERS - INTERNAL

Internal balances (receivables and payables) between the governmental activities and the business-type activities at September 30, 2019, were as follows:

	Internal Receivables	Internal Payables
Governmental Activities General Fund	\$ 814,493	\$ -
Business-type Activities Water and Sewer Fund	<u>-</u>	<u>814,493</u>
Total	<u>\$ 814,493</u>	<u>\$ 814,493</u>

Interfund receivables and payables within the fiduciary funds were reclassified as receivables or payables to external parties in the government-wide statement of net position and on the individual fund balance sheets.

The City had no transfers - internal between the governmental activities and business-type activities during the fiscal year ended September 30, 2019.

NOTE 6 - RESTRICTED CASH AND INVESTMENTS

The restricted assets in the governmental and business-type activities were comprised of the following as of September 30, 2019:

	Governmental Activities	Business-type Activities
Debt service accounts established by bond ordinance, the expenditure of which is restricted by the terms of the ordinance	\$ 3,741	\$ 804,311
Construction funds for future development	-	1,708,745
Customer utility deposits	<u>-</u>	<u>317,250</u>
Total	<u>\$ 3,741</u>	<u>\$2,830,306</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in the governmental activities capital assets for the year ended September 30, 2019.

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
Land and improvements	\$ 3,934,069	\$ 205,060	\$ -	\$ 4,139,129
Buildings - City Hall	915,345	-	-	915,345
Buildings - other	1,276,000	551,774	-	1,827,774
Equipment, furniture and fixtures	3,493,422	125,283	8,811	3,609,894
Roads and streets	2,687,399	-	-	2,687,399
Roads and streets - retroactive	951,681	-	-	951,681
	<u>13,257,916</u>	<u>882,117</u>	<u>8,811</u>	<u>14,131,222</u>
Less accumulated depreciation	<u>6,457,447</u>	<u>361,878</u>	<u>8,811</u>	<u>6,810,514</u>
Totals	<u>\$ 6,800,469</u>	<u>\$ 520,239</u>	<u>\$ -</u>	<u>\$ 7,320,708</u>

The following is a summary of changes in the business-type activities capital assets for the year ended September 30, 2019.

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
Land and improvements	\$ 1,466,338	\$ -	\$ -	\$ 1,466,338
Treatment plants and systems	43,652,307	-	-	43,652,307
Other equipment	657,215	14,431	-	671,646
	45,775,860	14,431	-	45,790,291
Less accumulated depreciation	<u>13,859,478</u>	<u>1,208,952</u>	<u>-</u>	<u>15,068,430</u>
Totals	<u>\$ 31,916,382</u>	<u>\$ (1,194,521)</u>	<u>\$ -</u>	<u>\$ 30,721,861</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation Expense Allocation

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 49,433
Public safety	138,111
Physical environment	13,850
Transportation	90,634
Culture and recreation	68,862
Human services	988
Total depreciation expense - governmental activities	\$ 361,878
Business-type activities	
Water system	\$ 674,445
Sewer system	534,507
Total depreciation expense - business-type activities	\$ 1,208,952

NOTE 8 - SUMMARY OF LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2019:

	Balance October 1, 2018	New Debt Issued	Retirement of Debt	Balance Sept. 30, 2019	Due Within One Year	Amounts Due in More Than One Year
Governmental Activities						
General Fund (see Note 9)						
Note payable - fire truck	\$ 141,015	\$ -	\$ 45,967	\$ 95,048	\$ 46,973	\$ 48,075
Revenue bond payable	-	252,700	-	252,700	-	252,700
Compensated absences	178,498	-	40,617	137,881	-	137,881
OPEB liability	152,666	-	76,588	76,078	-	76,078
Net pension liability	1,108,463	160,977	-	1,269,440	-	1,269,440
Business-type Activities						
Water and Sewer Fund						
Revenue bonds payable (see Note 10)	15,663,000	-	295,000	15,368,000	305,000	15,063,000
Note payable - FDEP SRF (see Note 11)	168,525	-	12,059	156,466	12,388	144,078
OPEB liability	81,592	-	40,483	41,109	-	41,109
Net pension liability	542,606	85,091	-	627,697	-	627,697
	\$ 18,036,365	\$ 498,768	\$ 510,714	\$ 18,024,419	\$ 364,361	\$ 17,660,058

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 9 - AMOUNTS DUE WITHIN ONE YEAR AND IN MORE THAN ONE YEAR -
GOVERNMENTAL ACTIVITIES

Schedule of Changes in the Amounts Due Within One Year and in More Than One Year

	<u>Note Payable</u>	<u>Bond Payable</u>	<u>Comp. Absences</u>	<u>OPEB Liability</u>	<u>Net Pension Liability</u>	<u>Totals</u>
Amounts due within one year and in more than one year at October 1, 2018	\$ 141,015	\$ -	\$ 178,498	\$ 152,666	\$ 1,108,463	\$ 1,580,642
Debt issued	-	252,700	-	-	-	252,700
Debt retired	(45,967)	-	-	-	-	(45,967)
Increase (decrease) in compensated absences, OPEB liability, and net net pension liability	-	-	(40,617)	(76,588)	160,977	43,772
Amounts due within one year and in more than one year at September 30, 2019	<u>\$ 95,048</u>	<u>\$ 252,700</u>	<u>\$ 137,881</u>	<u>\$ 76,078</u>	<u>\$ 1,269,440</u>	<u>\$ 1,831,147</u>

Compensated Absences

Maximum accumulated earned vacation and sick leave benefits as of September 30, 2019, are \$40,850 and \$97,031, respectively.

Composition of the Amounts Due Within One Year and in More Than One Year

The composition of the amounts due within one year and in more than one year of the governmental activities as of September 30, 2019, is as follows:

Note Payable - Fire Truck

Note payable to a local bank, payable in annual installments of \$49,035, including interest at 2.15%, with the final payment due December, 2020, secured by a fire truck with a book value of \$179,550.

\$ 95,048

Capital Improvement Revenue Bond - Series 2019

3.25% revenue bonds payable, issued to finance improvements to the City civic center, payment of principal, interest, and reserve account contributions are secured by "all legally available non-ad valorem revenues"; interest only for 2019 and 2020, then bonds mature serially on April 5, each year until the year 2049. A debt service fund (sinking fund) and a reserve fund equal to one annual installment of principal & interest are required by the bond ordinance.

252,700

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 9 - AMOUNTS DUE WITHIN ONE YEAR AND IN MORE THAN ONE YEAR -
GOVERNMENTAL ACTIVITIES (continued)

Compensated Absences

Maximum accumulated earned vacation and sick leave benefits as of September 30, 2019	137,881
OPEB liability	76,078
Net pension liability	<u>1,269,440</u>
	1,831,147
Less amounts due in one year	<u>46,973</u>
Amounts due in more than one year	<u><u>\$1,784,174</u></u>

Annual Maturities of the Amounts Due Within One Year and in More Than One Year

The annual requirements to amortize the amounts due within one year and in more than one year of the governmental activities as of September 30, 2019, are as follows:

Note Payable - Fire Trucks

Year Ending September 30,	Principal	Interest	Total
2020	\$ 46,973	\$ 2,062	\$ 49,035
2021	<u>48,075</u>	<u>960</u>	<u>49,035</u>
	<u>95,048</u>	<u>3,022</u>	<u>98,070</u>

Capital Improvement
Revenue Bond - Series 2019

Year Ending September 30,	Principal	Interest	Total
2020	\$ -	\$ 8,213	\$ 8,213
2021	5,374	8,213	13,587
2022	5,549	8,038	13,587
2023	5,729	7,858	13,587
2024	5,915	7,672	13,587
2025-2029	32,589	35,346	67,935
2030-2034	38,240	29,695	67,935
2035-2039	44,870	23,065	67,935
2040-2044	52,651	15,284	67,935
2045-2049	<u>61,783</u>	<u>6,152</u>	<u>67,935</u>
	<u>252,700</u>	<u>149,536</u>	<u>402,236</u>
Amount provided for compensated absences	137,881	-	137,881
OPEB liability	76,078	-	76,078
Net pension liability	<u>1,269,440</u>	-	<u>1,269,440</u>
	<u><u>\$1,831,147</u></u>	<u><u>\$ 152,558</u></u>	<u><u>\$ 1,983,705</u></u>

Annual maturities of compensated absences, OPEB liability and net pension liability cannot be reasonably determined.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES

During the fiscal year ended September 30, 2005, the City issued Water and Sewer Revenue Bonds, Series 2005, dated June 28, 2005, to finance a part of the cost of acquiring, constructing and erecting extensions and improvements to the municipal water and sewer systems. The bonds are payable from and secured by a lien upon and the pledge of the net revenues to be derived from the operation of the systems. The bonds are payable, equally and ratably, from such pledged funds with the outstanding Water and Sewer Revenue Bonds, Series 2002, dated on February 28, 2002.

During the fiscal year ended September 30, 2013, the City issued Water and Sewer Revenue Bonds, Series 2013, dated September 26, 2013, to finance a part of the cost of acquiring and constructing production and deep injection wells and a new reverse osmosis water treatment plant. The bonds are payable from and secured by a lien upon and the pledge of the net revenues to be derived from the operation of the systems and the portion of the Revenue Sharing Funds designated as the City's "guaranteed entitlement" under the provisions of Chapter 218, Part II, Florida Statutes, as amended. The bonds are payable from the pledged funds on a parity with the issuer's outstanding Water and Sewer Revenue Bonds, Series 2002, dated on February 28, 2002, and Water and Sewer Revenue Bond, Series 2005, dated June 28, 2005, in the manner provided in the bond resolution.

The Water and Sewer Fund had the following bonds outstanding as of September 30, 2019:

Water and Sewer Revenue Bonds - Series 2002

4.375% revenue bonds payable, issued to finance improvements to water and sewer systems; payment of principal, interest, and reserve account contributions are secured by the revenues of the water and sewer systems; interest only for 2002 and 2003, then bonds mature serially on September 1, each year until the year 2041.

\$ 2,017,000

Water and Sewer Revenue Bonds - Series 2005

4.25% revenue bonds payable, issued to finance improvements to water and sewer systems; payment of principal, interest, and reserve account contributions are secured by the net revenues of the water and sewer systems; interest only for 2005 and 2006, then bonds mature serially on September 1, each year until the year 2044.

1,003,000

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

Water and Sewer Revenue Bonds - Series 2013

2.75% revenue bonds payable, issued to finance improvements to the water system; payment of principal, interest, and reserve account contributions are secured by the net revenues of the water and sewer systems and the guaranteed entitlement; interest only for 2014 and 2015, then bonds mature serially on September 1, each year until the year 2053.	<u>12,348,000</u>
	15,368,000
Less current portion	<u>305,000</u>
Long-term portion	<u>\$15,063,000</u>

The following is a summary of bond transactions of the City for the year ended September 30, 2019:

	Water & Sewer Revenue Bonds - Series 2002	Water & Sewer Revenue Bonds - Series 2005	Water & Sewer Revenue Bonds - Series 2013
Original amount issued	<u>\$2,612,000</u>	<u>\$1,232,000</u>	<u>\$13,029,000</u>
Revenue bonds payable at October 1, 2018	\$2,072,000	\$1,025,000	\$12,566,000
Debt issued during fiscal year ended September 30, 2019	-	-	-
Debt retired during fiscal year ended September 30, 2019	<u>55,000</u>	<u>22,000</u>	<u>218,000</u>
Revenue bonds payable at September 30, 2019	<u>\$2,017,000</u>	<u>\$1,003,000</u>	<u>\$12,348,000</u>
Original date of obligation	2002	2005	2013
Final maturity date	2041	2044	2053

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

The annual requirements to amortize the **Water and Sewer Revenue Bonds - Series 2002** bonds outstanding as of September 30, 2019, are as follows.

<u>Year Ending September 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 88,244	\$ 58,000	\$ 146,244
2021	85,706	59,000	144,706
2022	83,125	63,000	146,125
2023	80,369	64,000	144,369
2024	77,569	69,000	146,569
2025-2029	340,594	384,000	724,594
2030-2034	248,981	473,000	721,981
2035-2039	136,412	583,000	719,412
2040-2041	17,413	264,000	281,413
	<u>\$ 1,158,413</u>	<u>\$ 2,017,000</u>	<u>\$ 3,175,413</u>

The annual requirements to amortize the **Water and Sewer Revenue Bonds - Series 2005** bonds outstanding as of September 30, 2019, are as follows.

<u>Year Ending September 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 42,744	\$ 23,000	\$ 65,744
2021	41,650	24,000	65,650
2022	40,630	25,000	65,630
2023	39,459	26,000	65,459
2024	38,568	27,000	65,568
2025-2029	173,822	156,000	329,822
2030-2034	137,824	192,000	329,824
2035-2039	93,455	235,000	328,455
2040-2044	39,042	295,000	334,042
	<u>\$ 647,194</u>	<u>\$ 1,003,000</u>	<u>\$ 1,650,194</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

The annual requirements to amortize the **Water and Sewer Revenue Bonds - Series 2013** bonds outstanding as of September 30, 2019, are as follows.

Year Ending September 30,	Interest	Principal	Total
2020	\$ 339,570	\$ 224,000	\$ 563,570
2021	333,410	230,000	563,410
2022	327,085	237,000	564,085
2023	320,568	243,000	563,568
2024	313,885	250,000	563,885
2025-2029	1,462,533	1,356,000	2,818,533
2030-2034	1,265,660	1,551,000	2,816,660
2035-2039	1,040,270	1,778,000	2,818,270
2040-2044	781,797	2,038,000	2,819,797
2045-2049	485,870	2,332,000	2,817,870
2050-2053	146,877	2,109,000	2,255,877
	<u>\$ 6,817,525</u>	<u>\$ 12,348,000</u>	<u>\$ 19,165,525</u>

The annual requirements to amortize the **Water and Sewer Revenue Bonds - All Series** bonds outstanding as of September 30, 2019, are as follows.

Year Ending September 30,	Interest	Principal	Total
2020	\$ 470,558	\$ 305,000	\$ 775,558
2021	460,766	313,000	773,766
2022	450,840	325,000	775,840
2023	440,396	333,000	773,396
2024	430,022	346,000	776,022
2025-2029	1,976,949	1,896,000	3,872,949
2030-2034	1,652,465	2,216,000	3,868,465
2035-2039	1,270,137	2,596,000	3,866,137
2040-2044	838,252	2,597,000	3,435,252
2045-2049	485,870	2,332,000	2,817,870
2050-2053	146,877	2,109,000	2,255,877
	<u>\$ 8,623,132</u>	<u>\$ 15,368,000</u>	<u>\$ 23,991,132</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

The revenue bond indentures provide for the establishment of various reserve accounts and also provide for compliance with certain limitations and restrictions. Some of the requirements of the bond covenants are as follows:

Water and Sewer System Revenue Fund

Established to which all gross revenue shall be deposited and then disbursed into other accounts as follows:

Operation and Maintenance Fund

Used exclusively for the purpose of receiving funds monthly for paying operating expenses pursuant to the annual budget.

Water and Sewer Revenue Bonds, Sinking Fund

Sums funded monthly sufficient to pay the interest and principal due each September 1.

Reserve Account to the Sinking Fund

Sums funded monthly equal to 1/120 of the maximum annual bond service requirement until the reserve equals or exceeds the maximum annual bond service requirement.

Renewal and Replacement Short-Lived Asset Fund

Transfer from the Revenue Fund to the Renewal and Replacement Short-Lived Asset Fund the amount of \$50,000 each year until the Renewal and Replacement Short-Lived Asset Fund equals \$500,000. The Renewal and Replacement Short-Lived Asset Fund is to be maintained at the \$500,000 level. (Bond Series 2013). The balance of the Renewal and Replacement Short-Lived Asset Fund was approximately \$50,000 as of September 30, 2019.

Utility Rate Covenant

The City shall establish utility rates sufficient to produce revenues which are equal to or greater than the operating expenses of the water and sewer systems, less depreciation, plus all bond sinking and reserve requirements.

NOTE 11 - NOTE PAYABLE - FDEP STATE REVOLVING FUND - BUSINESS-TYPE ACTIVITIES

Note payable to Florida Department of Environmental Protection State Revolving Fund. The beginning of the repayment period is July 15, 2010. The note is payable in forty semi-annual payments of \$8,272, including interest at the rate of 2.71%, beginning January 15, 2011. The maturity date of the loan is July 15, 2030. The note is secured by the revenues of the water and sewer systems. Proceeds from the loan were used to construct improvements to the older water treatment plant.

	\$ 156,466
Less current portion	<u>12,388</u>
Long-term portion	<u>\$ 144,078</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 11 - NOTE PAYABLE - FDEP STATE REVOLVING FUND - BUSINESS-TYPE ACTIVITIES
(continued)

The annual requirements to amortize the Note Payable - FDEP State Revolving Fund as of September 30, 2019, are as follows:

<u>Year Ending September 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 4,157	\$ 12,388	\$ 16,545
2021	3,819	12,726	16,545
2022	3,472	13,073	16,545
2023	3,115	13,430	16,545
2024	2,749	13,796	16,545
2025-2029	7,887	74,838	82,725
2030	330	16,215	16,545
	<u>\$ 25,529</u>	<u>\$ 156,466</u>	<u>\$ 181,995</u>

NOTE 12 - PLEDGED REVENUES

The City has pledged certain revenues to repay the revenue bonds and a note payable outstanding as of September 30, 2019. The following table reports the revenues pledged for each debt issue; the amounts of such revenues received in the current year; the current year principal and interest paid on the debt; the approximate percentage of each revenue pledged to meet the debt obligation; the maturity date of all debt agreements; and the total pledged future revenues for all debt issuances, which is the amount of the remaining principal and interest on the bonds and note payable at September 30, 2019.

<u>Description of Issue</u>	<u>Pledged Revenue</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percentage of Revenues</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
<u>Governmental Activities</u>						
Capital Improvement Bond - Series 2019	All legally available non-ad valorem revenues	\$ 1,884,541	\$ -	.72%	\$ 402,236	2049
<u>Business-type Activities</u>						
Water and Sewer Revenue Bonds - Series 2002, 2005, and 2013	Net operating revenues of the water and sewer systems	\$ 3,057,764	\$ 774,778	25.34%	\$ 23,991,132	2053
Note payable - FDEP - State Revolving Fund	Net operating revenues of the water and sewer systems	\$ 3,057,764	\$ 16,545	0.54%	\$ 181,995	2030

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 13 - EMPLOYEE ANNUAL LEAVE

As explained in Note 1, City employees may accumulate unused vacation and sick leave within certain limits.

Records are maintained for employees showing the number of days leave accrued. The amount of vacation and sick leave accrued in the governmental activities as an accrued liability for the year ended September 30, 2019, was \$42,701. The amount accrued in the governmental activities as long-term debt was \$137,881. The amount of accrued annual leave in the business-type activities was \$64,503 which is reported as an accrued liability.

NOTE 14 - NET POSITION AND FUND BALANCE

Restrictions of net position and classifications of fund balance of the City are created to either (1) satisfy legal covenants which require that a portion of the net position/fund balance be segregated, or (2) identify the portion of the net position/fund balance that is not appropriable for future expenditures. Specific restrictions of the net position and classifications of the fund balance are as follows:

Restricted for Construction and Debt Retirement

This restriction of net position was created to segregate the portion attributed for monies which have been designated for future construction or debt retirement. Within the Enterprise Fund, all impact fees which have been collected are designated for future construction. Also, within the Enterprise Fund, the sinking fund, reserve account, and renewal and replacement accounts are restricted for construction and debt retirement.

Restricted for Noncurrent Receivables

This restriction of net position was created to identify the portion attributed to receivables not expected to be collected in the next fiscal year.

Nonspendable Fund Balance

This classification of fund balance was created to identify the portion attributed to receivables not expected to be collected in the next fiscal year.

Held in Trust for Pension Benefits

This restriction of net position was created to identify all resources contributed to or earned by the Pension Trust Fund as designated solely for pension benefits.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 15 - OPERATING GRANTS, CAPITAL GRANTS, AND OTHER CONTRIBUTIONS

The following is a schedule of operating grants, capital grants, and other contributions received by the City during the fiscal year ended September 30, 2019.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Federal Awards Programs	\$ 317,071	\$ 76,729	\$ 393,800
State Financial Assistance	208,598	-	208,598
Contributions from customers and developers	<u>-</u>	<u>2,900</u>	<u>2,900</u>
	<u>\$ 525,669</u>	<u>\$ 79,629</u>	<u>\$ 605,298</u>

See pages 92-94 for more information concerning federal awards and state financial assistance received by the City during the fiscal year ended September 30, 2019.

Contributions from customers and developers to the business-type activities consisted of impact fees paid as required by a City ordinance. The impact fees are reserved for current and future construction.

NOTE 16 - DISASTER EXPENSES - HURRICANE IRMA

During the fiscal year ended September 30, 2019, the City incurred the following additional disaster expenses related to Hurricane Irma.

	<u>Payments to Employees for Services and Related Payroll Costs</u>	<u>Payments for Repairs, Materials and Supplies, and Contract Services</u>	<u>Total Disaster Expenses</u>
General Fund	\$ 6,769	\$ 49,817	\$ 56,586
Water System	-	13,948	13,948
Sewer System	<u>-</u>	<u>1,550</u>	<u>1,550</u>
Totals	<u>\$ 6,769</u>	<u>\$ 65,315</u>	<u>\$ 72,084</u>

The total disaster expenses incurred by the City during the fiscal years ended September 30, 2017, September 30, 2018, and September 30, 2019 were approximately \$301,000.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 17 - SEGMENT INFORMATION

The City issued revenue bonds to finance its water and sewer systems. The water and sewer systems are accounted for in a single fund in the financial statements. However, investors in the revenue bonds rely solely on the revenue generated by the water and sewer activity for repayments. Financial information for the water and sewer systems is presented below.

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Assets and deferred outflows of resources			
Current assets	\$ 2,978,673	\$ 1,438,904	\$ 4,417,577
Capital assets	21,166,812	9,555,049	30,721,861
Deferred outflows of resources	168,315	58,239	226,554
Liabilities and deferred inflows of resources			
Current liabilities	652,649	148,114	800,763
Long-term liabilities	11,613,483	5,076,894	16,690,377
Deferred inflows of resources	34,184	12,907	47,091
Net position			
Invested in capital assets, net of related debt	8,662,346	6,535,049	15,197,395
Restricted	1,350,790	1,123,994	2,474,784
Unrestricted	2,000,348	(1,844,766)	155,582
Operating revenues	2,179,893	877,871	3,057,764
Operating expenses	1,895,320	1,257,530	3,152,850
Operating income (loss)	284,573	(379,659)	(95,086)
Non-operating revenues (expenses)	(332,318)	(123,422)	(455,740)
Capital contributions	68,365	11,264	79,629
Changes in net position	20,620	(491,817)	(471,197)
Beginning net position	11,992,865	6,306,093	18,298,958
Ending net position	12,013,485	5,814,276	17,827,761
Net cash provided by (used for):			
Operating activities	834,316	157,070	991,386
Noncapital financing activities	23,656	-	23,656
Capital and related financing activities	(662,544)	(202,700)	(865,244)
Investing activities	17,112	8,346	25,458
Beginning cash and cash equivalents	2,454,241	1,241,902	3,696,143
Ending cash and cash equivalents	2,666,781	1,204,618	3,871,399

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM

General Information

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

Effective January 1, 2008, membership in the FRS was required for all of the City's full-time and part-time employees working in regularly established positions, except firefighters. General employees, except firefighters, which were hired from January 1, 1996, to December 31, 2007, were previously participants in a defined contribution plan for public employees. The City purchased the past service costs for these employees when the City elected to make them participants in the FRS as of January 1, 2008.

The FRS has five classes of membership. The City's employees, not including firefighters, belong to two of the five classes, the Elected Officers' Class, consisting of City Commissioners, and the Regular Class, consisting of administrative, operations, and clerical employees.

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

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the Pension Plan and HIS Program and additions to/deductions from the Pension Plan and HIS Program fiduciary net position have been determined on the same basis as they are reported by the Pension Plan and HIS Program. 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.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan

Plan Description

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

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular Class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

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

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

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

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2018, through June 30, 2019, and from July 1, 2019, through September 30, 2019, respectively, were as follows: Regular Class - 8.26% and 8.47%; Elected Officers' Class - 48.70% and 48.82%; and DROP participants - 14.03% and 14.60%. These employer contribution rates include 1.66% HIS Program subsidy for the period October 1, 2018, through September 30, 2019.

The City's contributions, including employee contributions, to the Pension Plan totaled \$192,566 for the fiscal year ended September 30, 2019.

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

At September 30, 2019, the City reported a liability of \$1,384,184 for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was .004020205%, which was an increase of .000163425% from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$246,131 related to the FRS Pension Plan. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 82,119	\$ 859
Change of assumptions	355,601	-
Net difference between projected and actual earnings on Pension Plan investments	-	76,599
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	127,942	6,882
City Pension Plan contributions subsequent to the measure- ment date	<u>33,458</u>	<u>-</u>
Total	<u>\$ 599,120</u>	<u>\$ 84,340</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

The deferred outflows of resources related to the FRS Pension Plan, totaling \$33,458 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2020	\$ 174,575
2021	52,657
2022	127,213
2023	95,976
2024	24,740
Thereafter	<u>6,161</u>
	<u>\$ 481,322</u>

Actuarial Assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2019
Measurement date	June 30, 2019
Inflation	2.60%
Salary increase	3.25%, average, including inflation
Investment rate of return	6.9%, net of Pension Plan investment expense, including inflation
Mortality	PUB - 2010 base table, projected generationally with Scale MP - 2018
Actuarial cost method	Individual Entry Age

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

The long-term expected rate of return on FRS Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	(1) <u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.3%	3.3%	1.2%
Fixed Income	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Real Estate (Property)	10.0%	6.7%	6.1%	11.7%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	<u>6.0%</u>	5.9%	5.7%	6.7%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.6%	1.7%

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

Discount Rate

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

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate.

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
City's proportionate share of the net pension liability	\$2,392,793	\$1,384,184	\$541,825

Pension Plan Fiduciary Net Position

Detailed information regarding the FRS Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

Payables to the Pension Plan

At September 30, 2019, the City reported a payable in the amount of \$15,709 for outstanding contributions to the FRS Pension Plan required for the fiscal year ended September 30, 2019.

Retiree Health Insurance Subsidy Program

Program Description

The HIS Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Program is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution rate was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding five years. HIS Program contributions are deposited in a separate trust fund from which payments are authorized. HIS Program benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Program totaled \$25,956 for the fiscal year ended September 30, 2019.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Retiree Health Insurance Subsidy Program (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to FRS HIS Program

At September 30, 2019, the City reported a liability of \$512,953 for its proportionate share of the HIS Program's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was .004584439%, which was a decrease of .000042361% from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$12,041 related to the HIS Program. In addition the City reported deferred outflows of resources and deferred in flows of resources related to the HIS Program from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,230	\$ 628
Change of assumptions	59,392	41,925
Net difference between projected and actual earnings on Program investments	331	-
Changes in proportion and differences between City HIS Program contributions and proportionate share of contributions	10,403	9,868
City HIS Program contributions subsequent to the measurement date	<u>6,638</u>	<u>-</u>
Total	<u>\$ 82,994</u>	<u>\$ 52,421</u>

The deferred outflows of resources related to the HIS Program, totaling \$6,638 resulting from City contributions to the HIS Program subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS program will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 10,201
2021	8,164
2022	4,469
2023	(3,246)
2024	589
Thereafter	<u>3,758</u>
	<u>\$ 23,935</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Retiree Health Insurance Subsidy Program (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2018
Measurement date	June 30, 2019
Inflation	2.60%
Salary increase	3.25%, average, including inflation
Municipal Bond Rate	3.50%
Long-term expected rate of return, net of investment expense	N/A
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age

Discount Rate

The discount rate used to measure the total pension liability was 3.50%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 18 - FLORIDA RETIREMENT SYSTEM (continued)

Retiree Health Insurance Subsidy Program (continued)

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate.

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
City's proportionate share of the net pension liability	\$585,562	\$512,953	\$452,478

HIS Program Fiduciary Net Position

Detailed information regarding the HIS Program's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the HIS Program

At September 30, 2019, the City reported a payable in the amount of \$2,063 for outstanding contributions to the HIS Program required for the fiscal year ended September 30, 2019.

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN

During December 1995, the City passed a resolution to participate in the Florida Pension Municipal Trust Fund Defined Benefit Plan and Trust for all full-time and volunteer firefighters hired by the City on or after January 1, 1996. All firefighters shall become eligible to participate in the plan immediately when hired. Social Security coverage is also provided to the firefighters.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN (continued)

The following information about the Plan is provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions from the Plan's members are recognized as revenue in the period in which the contributions are due. Contributions from the City, as calculated by the Plan's actuary, are recognized as revenue when due and when the City has made a formal commitment to provide contributions. Expenses are recognized in the accounting period incurred, if measureable. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Pension Plan Description

Name of the pension plan	Retirement Plan for the Firefighters of the City of LaBelle
Legal plan administrator	Board of Trustees of the Retirement Plan for the Firefighters of the City of LaBelle
Plan type	Single-employer defined benefit pension plan
Number of covered individuals	69 (one retired employee or beneficiaries currently receiving benefits; 51 inactive employees entitled to but not yet receiving benefits; 17 active employees)
Contribution requirement	Employer contributions are actuarially determined; employees must contribute 1% of pensionable earnings; employee contribution requirement may be amended by City ordinance, but employer contributions requirement is subject to State minimums
Pension plan reporting	The Plan issues a stand-alone financial report each year which contains information about the Plan's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis used by the pension plan and is equal to the market value of assets calculated under the accrual basis of accounting. The report is available to the public at the Plan's administrative office: Retirement Department, Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302, (800)342-8112. The financial information is included as a Pension Trust Fund in the City's financial statements on pages 25 and 26. Also, a breakdown of the Plan's investments as of September 30, 2019, is included in Note 2 on page 37.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Description of the Benefits Provided

Employees covered	Full-time and volunteer firefighters employed by the City of LaBelle
Types of benefits offered	Retirement, disability, and pre-retirement death benefits
Monthly accrued benefit	3% of average final compensation multiplied by credited service
Early retirement adjustment	Early retirement pension is reduced by 3% for each year by which the early retirement precedes the normal retirement date
Disability pension	Larger of monthly accrued benefit or 50% of average final compensation (for service-connected disabilities) Larger of monthly accrued benefit or 25% of average final compensation (for non-service-connected disabilities if the participant has earned at least 10 years of service) Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other City-provided disability compensation from exceeding average monthly earnings
Pre-retirement death benefit	Monthly accrued benefit payable for 10 years at early or normal retirement age (payable to the beneficiary of a vested participant) Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant)
Normal retirement age	Age 55 with at least 10 years of service, or Any age with at least 25 years of service
Early retirement age	Age 50 with at least 10 years of service
Vesting requirement	100% vesting after 10 years of service
Form of payment	Actuarially increased single life annuity 10-year certain and life annuity Actuarially equivalent 50%, 66 ² / ₃ %, 75%, or 100% joint and contingent annuity Any other actuarially equivalent form of payment approved by the Board of Trustees; or actuarially equivalent lump sum distribution
Average earnings	Average of the highest 5 years of compensation out of the last 10 years
Cost-of-living adjustment	None provided
DROP	A deferred retirement option plan (DROP) is available to those participants who have attained their normal retirement age and individuals may participate in the DROP for up to 60 months; DROP accounts are credited with interest at a flat rate of 6.50% per annum.
Legal authority	The Plan was established effective January 1, 1996, pursuant to City ordinance and has been amended several times since that date.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Plan Changes

The plan was established effective January 1, 1996, pursuant to City ordinance and has been amended several times since that date.

Effective August 11, 2016, the following plan changes were made. (City Resolution 2016-10)

1. The normal retirement date was changed from the earlier of age 55 with 10 years of service or age 52 with 25 years of service to the earlier of age 55 with 10 years of service or any age with 25 years of service.
2. The benefit formula multiplier was increased from 2% to 3%.
3. The minimum service-connected disability benefit was increased from 42% of average compensation to 50% of average compensation.
4. A Deferred Retirement Option Plan (DROP) was added for those participants who attain normal retirement age.

Plan Contributions

Funding for the Plan consists of contributions from members, the State of Florida, and the City. Plan members are required to contribute 1% of their annual covered compensation. The City is required to contribute the remaining amount to fund the Plan based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Plan members during the year. For the fiscal year ended September 30, 2019, the City's contribution rate averaged 21.36% of annual covered payroll. Plan provisions and contribution rates may be amended by the City Commission based upon the recommendations of the Board of Trustees, subject to minimum requirements of Florida Statutes.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes.

Pursuant to Chapters 175 and 185 of Florida Statutes, premium taxes on certain property and casualty insurance contracts written on City properties is collected by the State and is remitted to the Plan. This amount totaled \$13,722 for the fiscal year ended September 30, 2019.

Investments

Investments of the Plan are reported at fair value (see page 37). Net appreciation in fair value of investments include realized and unrealized gains and losses.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Investments (continued)

Rate of Return

For the year ended September 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was estimated to be 5.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined on a monthly basis.

Determination of the Long-term Expected Rate of Return on Plan Assets

The long-term expected rates of return on classes of pension plan investments were developed by the investment consultant Asset Consulting Group (ACG) using Monte Carlo Simulations to analyze a range of possible outcomes and assist in making educated investment decisions. The output of the Monte Carlo Simulations is based on ACG's capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The long-term expected rate of return was calculated by weighting the expected future real rates of return of each asset class by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension's target asset allocation as of September 30, 2019, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Long-term Real Return</u>	<u>Weighted Average Return</u>
U.S Large Cap Equity	34%	4.60%	1.56%
Core Plus	15%	2.10%	0.31%
Core Real Estate	10%	5.00%	0.50%
U.S. Small Cap Equity	11%	5.50%	0.61%
Core Bonds	15%	1.60%	0.24%
Non-U.S. Equity	15%	6.70%	1.01%
Total	<u>100%</u>		<u>4.23%</u>
Add estimated long-term rate of inflation			<u>2.77%</u>
Estimated long-term rate of return			<u>7.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Net Pension Asset

The components of the net pension asset of the City as of September 30, 2019, were as follows:

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Asset
Balance - September 30, 2018	\$ 790,759	\$(1,409,544)	\$(618,785)
Changes due to:			
Service cost	43,651	-	43,651
Expected interest growth	57,432	(99,890)	(42,458)
Unexpected investment income	-	6,207	6,207
Demographic experience	-	-	-
Employer contributions	-	(42,586)	(42,586)
Employee contributions	-	(1,599)	(1,599)
Benefit payments and refunds	(8,383)	2,942	(5,441)
Administrative expenses	-	5,735	5,735
Changes in benefit terms	-	-	-
Assumption changes	-	-	-
Total changes	<u>92,700</u>	<u>(129,191)</u>	<u>(36,491)</u>
Balance - September 30, 2019	<u>\$ 883,459</u>	<u>\$(1,538,735)</u>	<u>\$(655,276)</u>

The Plan fiduciary net position was 174.17% of the total pension liability as of September 30, 2019.

Sensitivity of the Net Position Asset to Changes in the Discount Rate

The following represents the net pension asset of the City, calculated using the discount rate of 7%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate.

	1% Decrease <u>(6%)</u>	Current Discount Rate <u>(7%)</u>	1% Increase <u>(8%)</u>
City's net pension asset	\$(519,404)	\$(655,276)	\$(764,562)

At September 30, 2019, the City reported a net pension asset of \$655,276 for the Firefighters' Retirement Plan. The liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2017. The City's net pension asset was based on a projection of the pension plan relative to the projected contributions during the fiscal year ended September 30, 2019.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN (continued)

For the fiscal year ended September 30, 2019, the City recognized pension income of \$17,909. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources.

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance - September 30, 2018	\$ 62,731	\$ 132,085
Changes due to		
Current year amortization	(18,322)	(36,119)
Investment gain/loss	6,207	-
Demographic gain/loss	-	-
Assumption changes	<u>-</u>	<u>-</u>
Total changes	<u>(12,115)</u>	<u>(36,119)</u>
Balance - September 30, 2019	<u>\$ 50,616</u>	<u>\$ 95,966</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows.

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2020	\$ (30,942)
2021	(24,359)
2022	(3,140)
2023	2,364
2024	1,121
Thereafter	<u>9,606</u>
	<u>\$ (45,350)</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 19 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Significant Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017, using the following significant actuarial assumptions and other inputs:

Measurement dates	September 30, 2019
Valuation date	October 1, 2017
Asset valuation method	Market value
Expected long-term real rate on return on investments	4.23%
Inflation	2.77%
Discount rate	7% (2.77% is attributable to inflation) this rate was used to discount all future benefit payments
Salary increases	4% per annum
Cost-of-living increase	None assumed
Mortality basis	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB
Retirement	Retirement is assumed to occur at normal retirement age
Other decrements	None assumed
Non-investment expenses	Liabilities have been loaded by 16.5% to account for non-investment expenses
Future contributions	Contributions from the employer and employees are assumed to be made as legally required
Changes	No assumptions were changed since the prior measurement date.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 20 - DEFINED BENEFIT PENSION PLANS SUMMARY DATA

The following table provides a summary of significant information related to the City's defined benefit pension plans for the fiscal year ended September 30, 2019. The information for the Florida Retirement System Pension Plan and the Florida Retirement System Retiree Health Insurance Subsidy Program are the City's proportionate share of the listed items.

<u>Description</u>	<u>Florida Retirement System Pension Plan</u>	<u>Florida Retirement System HIS Program</u>	<u>Firefighters' Retirement Plan</u>	<u>Total</u>
Total pension liability	\$ 7,958,670	\$ 526,800	\$ 883,459	\$ 9,368,929
Plan fiduciary net position	6,574,486	13,847	1,538,735	8,127,068
Net pension liability	1,384,184	512,953	-	1,897,137
Net pension asset	-	-	(655,276)	(655,276)
Deferred outflows of resources	599,120	82,994	50,616	732,730
Deferred inflows of resources	84,340	52,421	95,966	232,727
Pension expense (income)	246,131	12,041	(17,909)	240,263

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Effective October 1, 2017, the City implemented Governmental Accounting Standards Board Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Retirees of the City pay an amount equal to the actual premium for health insurance charged by the carrier. The premium charged includes an implied subsidy, as the amount charged for all participants (active employee or retiree) is the same, regardless of age. Under GASB 75, an implied subsidy is considered other post-employment benefits (OPEB).

The following describes the City's OPEB provisions:

Plan Description

The City of LaBelle's Retiree Health Care Plan (Plan) is a single-employer benefit post-employment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet eligibility requirements under the applicable retirement plan to continue medical insurance coverage as a participant in the City's plan. For purposes of applying Paragraph 4 under GASB 75, the plan does not meet the requirements for an OPEB plan administered through a trust.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Benefits Provided

A retired employee and his or her spouse are eligible to continue health insurance identical to active employees if they meet the eligibility requirements under the applicable Plan. The retiree is responsible for paying the entire monthly premium for health coverage and that of any covered spouse or eligible dependents.

Employees Covered by Benefit Terms

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	2
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	<u>39</u>
	<u>41</u>

Total OPEB Liability

The City's total OPEB liability of \$117,187 was measured as of September 30, 2019. The measurement period for the OPEB expense was October 1, 2018, to September 30, 2019.

Actuarial Assumptions

Valuation Date:	September 30, 2019
Discount Rate:	3.58% per annum, Source: S&P Municipal 20 Year High Grade Rate Index
Salary Increase Rate:	2.50%
Inflation Rate:	2.50%
Health Care Trend Rate:	Initial rate of 7.50%, decreasing annually to ultimate rate of 4.00%

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

Discount Rate

The City does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate is a yield or index rate for 20-year, tax-exempt municipal bonds. As a result, the calculation used a rate of 3.58%.

OPEB Expense

For the year ended September 30, 2019, the City's OPEB expense (revenue) was \$(101,511).

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 21 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at September 30, 2018	\$ 234,258
Service cost	10,337
Interest	9,985
Differences between expected and actual experience	(67,087)
Changes of assumptions	(58,746)
Benefit payments	(11,560)
Balance at September 30, 2019	<u>\$ 117,187</u>

Changes of assumptions reflect a change in the discount rate from 4.18% for the fiscal year ending September 30, 2018, to 3.58% for the fiscal year ending September 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate of 3.58%:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	\$129,352	\$117,187	\$106,928

NOTE 22 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, in which all employees are eligible to participate. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan.

The requirement of the Internal Revenue Code 457 provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of the administration of the plan. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the City's Statement of Net Position.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 23 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2019, the following items within the General Fund had expenditures exceeding their budgeted amounts:

<u>Expenditure type</u>	<u>Over expenditure</u>
Current	
General government	\$ 110,001
Physical environment	112,191
Culture and recreation	27,022
Economic environment	1,489
Human services	72,725
Disaster expenses - Hurricane Irma	56,586

NOTE 24 - COMMITMENTS AND CONTINGENCIES

Grants and Assistance

In the past, activities of certain funds of the City were financed in whole or in part by various forms of grants and assistance, principally from Hendry County, the State of Florida, and the federal government. Amounts received from grantor agencies are subject to audit or adjustment by grantor agencies. Any amounts disallowed could constitute liabilities of the applicable funds. If grant requirements are not met, such as a minimum number of jobs to be created, grant funds may be required to be returned to the grantor agency.

Interlocal Agreements

The City has entered into written agreements with Hendry County to provide fire protection and animal control services to the western part of Hendry County. The duration of the interlocal agreements is basically continuous until terminated by either party. The City agrees to operate the fire and animal control departments and provide fire protection and animal control services in the area covered by the agreements. The City prepares annual joint budgets to be approved by the City and County. The joint budgets are submitted to the City and County before August 1. The interlocal agreement for the fire department was temporarily terminated during August 2006. On December 14, 2006, the City and County signed a new interlocal agreement for joint operation and funding of the fire department. Under the agreement, the County pays for its percentage of fire calls during the previous five-year period. After a study of the origin of fire calls, the entities agreed that the County would provide 61.9% of the jointly approved budget for the fire department for the fiscal year ended September 30, 2019. As in previous years, the County provided 50% of the animal control budget. The City provided the remaining funds for each department for the fiscal year ended September 30, 2019. The expenditures of the fire department and animal control department will be audited annually to determine the actual expenses during the immediate preceding fiscal year. If there is a deficit, each party will contribute proportionally to make up the deficit and if there is an overage, each party will receive a proportional refund. A schedule to determine compliance with the interlocal agreements is included in the supplemental schedules to the financial statements on page 85.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 24 - COMMITMENTS AND CONTINGENCIES (continued)

Litigation

The City, in accordance with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

Construction Contracts

As of September 30, 2019, the City was not obligated on any construction contracts, as all construction projects had been completed.

Disaster Expenses - Hurricane Irma

On September 10, 2017, Category 3 Hurricane Irma made its way across Hendry County. Mandatory evacuations were ordered for all of Hendry County. The primary impacts of Hurricane Irma were widespread power outages, debris, and flooding. The total financial impact of Hurricane Irma to the City was approximately \$301,000, of which approximately \$72,000 (See Note 16) was incurred during the fiscal year ended September 30, 2019. The City anticipates that insurance proceeds and reimbursements from the Federal Emergency Management Agency will cover a substantial part of the cost.

NOTE 25 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of a public entity risk pool which is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The pool provides coverage for property, liability, public officials' liability, workers' compensation, automobile physical damage, general liability, and automobile liability. The cost of the property and casualty insurance and workers' compensation is accounted for in the governmental activities and business-type activities of the City. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

A loss fund is established to pay the self-insured retention amounts. Self-insured per occurrence limits are \$100,000 for property and liability claims, \$150,000 for workers' compensation, and \$25,000 for crime related claims. Any claims in excess of these established limits are covered by aggregate excess or stop loss insurance. The City financial reporting entity is covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the liability of individual claims to \$100,000/\$200,000 for all claims relating to the same incident.

To satisfy GAAP/statutory accounting and regulatory reporting requirements, the pool retained Casualty Actuarial Consultants, Inc. to estimate ultimate retained losses and net loss reserve requirements as of the fiscal year ended September 30, 2019, (the date of the latest claims liability evaluation). The actuaries have concluded that the loss fund, including contributions not yet received and interest earned on all fund years to date, is sufficient to pay the retained ultimate losses and loss adjustment expenses for all fund years through September 30, 2019.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2019

NOTE 25 - RISK MANAGEMENT (continued)

The City provides hospitalization and medical coverage through commercial insurance carriers.

Major uninsurable risks include damages to infrastructure assets and damages or governmental fines due to seepage, pollution, or contamination of any kind. Since the amounts of loss cannot be reasonably estimated and the likelihood is undeterminable, no provision for such occurrences is included in these financial statements.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Taxes and special assessments	\$ 2,469,921	\$ 3,022,187	\$ 552,266
Licenses and permits	60,000	61,105	1,105
Intergovernmental revenue	670,690	928,253	257,563
Charges for services	515,517	489,117	(26,400)
Fines and forfeitures	27,000	27,892	892
Miscellaneous revenues	<u>49,100</u>	<u>60,842</u>	<u>11,742</u>
Total revenues	<u>3,792,228</u>	<u>4,589,396</u>	<u>797,168</u>
Expenditures			
Current			
General government	1,084,305	1,194,306	(110,001)
Public safety	969,614	795,328	174,286
Physical environment	117,207	229,398	(112,191)
Transportation	1,153,839	960,799	193,040
Culture and recreation	1,013,336	1,040,358	(27,022)
Economic environment	26,600	28,089	(1,489)
Human services	180,992	253,717	(72,725)
Disaster expenses			
Hurricane Irma	-	56,586	(56,586)
Debt service - fire trucks			
Principal retirement	45,967	45,967	-
Interest	<u>3,068</u>	<u>3,068</u>	<u>-</u>
Total expenditures	<u>4,594,928</u>	<u>4,607,616</u>	<u>(12,688)</u>
Excess of revenues over (under) expenditures	<u>(802,700)</u>	<u>(18,220)</u>	<u>784,480</u>
Other financing sources (uses)			
Issuance of debt	252,700	252,700	-
Operating transfers-in	350,000	-	(350,000)
Operating transfers-out	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>552,700</u>	<u>252,700</u>	<u>(300,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ (250,000)</u>	234,480	<u>\$ 484,480</u>
Fund balance - October 1, 2018		<u>3,639,036</u>	
Fund balance - September 30, 2019		<u>\$ 3,873,516</u>	

See accompanying notes to the budgetary comparison schedule.

CITY OF LABELLE, FLORIDA
Notes to Budgetary Comparison Schedule - General Fund
September 30, 2019

NOTE A - BUDGETARY ACCOUNTING

The City annually adopts an operating budget for all funds. The procedures for establishing the budgetary data reflected in the budgetary comparison schedule are as follows:

1. During August or September of each year, the Treasurer submits to the City Commission proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City advises the County Property Appraiser of the proposed millage rate and the date, time, and place of the public hear for budget acceptance.
4. Prior to October 1st, the budget is legally enacted through passage of a resolution.
5. Appropriations are legally controlled at the fund level and expenditures may not legally exceed budgeted appropriations at that level. Management is authorized to transfer budget line items within each fund's departments. Changes or amendments to the budget that alter fund totals must be approved by the City Commission. There were no amendments made to the budget during the fiscal year ended September 30, 2019.
6. Formal budgetary integration is employed within the accounting system as a management control device.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles.
8. The preceding schedule is presented at the functional level and not the departmental level.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2019, the following items within the General Fund had expenditures exceeding their budgeted amounts:

<u>Expenditure type</u>	<u>Over expenditure</u>
General Fund	
Current	
General government	\$110,001
Physical environment	112,191
Culture and recreation	27,022
Economic environment	1,489
Human services	72,725
Disaster expenses	
Hurricane Irma	56,586

CITY OF LABELLE, FLORIDA
 Required Supplementary Information
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Last Two Fiscal Years **(1)**

	2018	2019
Total OPEB Liability		
Service cost	\$ 11,013	\$ 10,337
Interest	8,973	9,985
Differences between expected and actual experience	-	(67,087)
Change of assumptions	(15,831)	(58,746)
Benefit payments	(10,654)	(11,560)
Net change in OPEB liability	(6,499)	(117,071)
Total OPEB liability - beginning	240,757	234,258
Total OPEB liability - ending	\$ 234,258	\$ 117,187
Covered Employee Payroll	\$ 1,578,737	\$ 1,268,184
Total OPEB Liability as a Percentage of Covered Employee Payroll	14.84%	9.24%

Change of Assumptions

The discount rate was 3.64% at October 1, 2017, 4.18% for the fiscal year ended September 30, 2018, and 3.58% for the fiscal year ended September 30, 2019.

(1) The City implemented GASB Statement 75 in 2018. Information is presented for those years in which information is available.

CITY OF LABELLE, FLORIDA
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability
 Florida Retirement System Pension Plan
 Last Six Fiscal Years **(1)**

Fiscal Year Ended September 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered- employee Payroll	Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll	Plan Fiduciary Net Position as a Percent of the Total Pension Liability
2014	0.003087447%	\$ 188,380	\$ 1,360,600	13.85%	96.09%
2015	0.003188532%	\$ 411,842	\$ 1,335,290	30.84%	92.00%
2016	0.003058246%	\$ 772,210	\$ 1,444,732	53.45%	84.88%
2017	0.003142573%	\$ 929,552	\$ 1,485,889	62.56%	83.89%
2018	0.003856780%	\$ 1,161,363	\$ 1,483,044	78.31%	84.26%
2019	0.004020205%	\$ 1,384,184	\$ 1,563,625	88.52%	82.61%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 7.00% in 2018 to 6.90% in 2019.

CITY OF LABELLE, FLORIDA
 Required Supplementary Information
 Schedule of Employer Contributions
 Florida Retirement System Pension Plan
 Last Six Fiscal Years **(1)**

Fiscal Year Ended September 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	City's Covered- employee Payroll	City's Contributions as a Percent of Covered- employee Payroll
2014	\$ 129,288	\$ 129,288	\$ -	\$ 1,360,600	6.59%
2015	\$ 131,817	\$ 131,817	\$ -	\$ 1,335,290	6.96%
2016	\$ 136,886	\$ 136,886	\$ -	\$ 1,444,732	6.56%
2017	\$ 146,402	\$ 146,402	\$ -	\$ 1,485,889	7.00%
2018	\$ 178,536	\$ 178,536	\$ -	\$ 1,483,044	9.22%
2019	\$ 192,566	\$ 192,566	\$ -	\$ 1,563,625	9.50%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will presented as they become available.

CITY OF LABELLE, FLORIDA
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability
 Florida Retirement System Retiree Health Insurance Subsidy Program
 Last Six Fiscal Years **(1)**

Fiscal Year Ended September 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered- employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll	Plan Fiduciary Net Position as a Percent of the Total Pension Liability
2014	0.004582470%	\$ 428,472	\$ 1,360,600	31.49%	.99%
2015	0.004418111%	\$ 450,578	\$ 1,335,290	33.74%	.50%
2016	0.004525607%	\$ 527,441	\$ 1,444,732	36.51%	.97%
2017	0.004607121%	\$ 492,615	\$ 1,485,889	33.15%	1.64%
2018	0.004626800%	\$ 489,706	\$ 1,483,044	33.02%	2.15%
2019	0.004584439%	\$ 512,953	\$ 1,563,625	32.81%	2.63%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 3.87% in 2018 to 3.50% in 2019.

CITY OF LABELLE, FLORIDA
 Required Supplementary Information
 Schedule of Employer Contributions
 Florida Retirement System Retiree Health Insurance Subsidy Program
 Last Six Fiscal Years **(1)**

Fiscal Year Ended September 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	City's Covered- employee Payroll	City's Contributions as a Percent of Covered- employee Payroll
2014	\$ 16,530	\$ 16,530	\$ -	\$ 1,360,600	1.21%
2015	\$ 18,154	\$ 18,154	\$ -	\$ 1,335,290	1.36%
2016	\$ 23,982	\$ 23,982	\$ -	\$ 1,444,732	1.66%
2017	\$ 24,666	\$ 24,666	\$ -	\$ 1,485,889	1.66%
2018	\$ 24,619	\$ 24,619	\$ -	\$ 1,483,044	1.66%
2019	\$ 25,956	\$ 25,956	\$ -	\$ 1,563,625	1.66%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Changes in City's Net Pension Liability and Related Ratios
Firefighters' Retirement Plan
Years Ended September 30,

	2015	2016	2017	2018	2019
Total pension liability					
Service cost	\$ 19,886	\$ 19,886	\$ 40,365	\$ 43,651	\$ 43,651
Expected interest growth	23,568	26,429	30,766	48,972	57,432
Changes in benefit terms	-	-	207,886	-	-
Differences between expected and actual experience	-	-	(38,887)	28,397	-
Changes of assumptions	-	-	27,088	-	-
Benefit payments, including refunds of member contributions	<u>(5,056)</u>	<u>-</u>	<u>-</u>	<u>(1,471)</u>	<u>(8,383)</u>
Net change in total pension liability	38,398	46,315	267,218	119,549	92,700
Total pension liability - beginning of year at 7%	<u>319,279</u>	<u>357,677</u>	<u>403,992</u>	<u>671,210</u>	<u>790,759</u>
Total pension liability - end of year at 7% (a)	<u>\$ 357,677</u>	<u>\$ 403,992</u>	<u>\$ 671,210</u>	<u>\$ 790,759</u>	<u>\$ 883,459</u>
Plan fiduciary net position					
Contributions - employer	\$ 26,824	\$ 28,973	\$ 34,725	\$ 39,936	\$ 42,586
Contributions - employee	1,350	1,527	1,940	2,428	1,599
Net investment income	(982)	99,392	181,230	117,008	93,683
Benefit payments, including refunds of member contributions	-	-	-	(1,471)	(2,942)
Administrative expense	<u>(3,448)</u>	<u>(3,503)</u>	<u>(15,697)</u>	<u>(13,472)</u>	<u>(5,735)</u>
Net change in plan fiduciary net position	23,744	126,389	202,198	144,429	129,191
Plan fiduciary net position - beginning	<u>912,784</u>	<u>936,528</u>	<u>1,062,917</u>	<u>1,265,115</u>	<u>1,409,544</u>
Plan fiduciary net position - ending (b)	<u>\$ 936,528</u>	<u>\$ 1,062,917</u>	<u>\$ 1,265,115</u>	<u>\$ 1,409,544</u>	<u>\$ 1,538,735</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (578,851)</u>	<u>\$ (658,925)</u>	<u>\$ (593,905)</u>	<u>\$ (618,785)</u>	<u>\$ (655,276)</u>
Plan fiduciary net position as a percentage of the total pension liability	261.84%	263.10%	188.48%	178.25%	174.17%
Covered employee payroll	<u>\$ 136,761</u>	<u>\$ 136,761</u>	<u>\$ 151,296</u>	<u>\$ 173,465</u>	<u>\$ 173,465</u>
Net pension liability (asset) as a percentage of covered employee payroll	-423.26%	-481.81%	-392.55%	-356.72%	-377.76%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

See accompanying notes to Required Supplementary Information - Firefighters' Retirement Plan.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Firefighters' Retirement Plan
Year Ended September 30, 2019

Fiscal Year Ended September 30,	(1) Actuarilly Determined Contribution	(2) Contributions Recognized by the Plan	(3) Difference Between (1) and (2)	Covered Payroll	Contributions Recognized by the Plan as a Percent of Covered Payroll
2010	\$ 41,420	\$ 33,959	\$ (7,461)	\$ 193,600	17.54%
2011	\$ 46,309	\$ 34,999	\$ (11,310)	\$ 216,500	16.17%
2012	\$ 29,188	\$ 31,886	\$ 2,698	\$ 231,678	13.76%
2013	\$ 27,399	\$ 30,406	\$ 3,007	\$ 159,000	19.12%
2014	\$ 22,172	\$ 26,587	\$ 4,415	\$ 131,000	20.30%
2015	\$ -0-	\$ 26,824	\$ 26,824	\$ 136,761	19.61%
2016	\$ -0-	\$ 28,973	\$ 28,973	\$ 136,761	21.19%
2017	\$ 43,659	\$ 34,725	\$ (8,934)	\$ 151,296	22.95%
2018	\$ 58,721	\$ 39,936	\$ (18,785)	\$ 173,465	23.02%
2019	\$ 38,682	\$ 42,586	\$ 3,904	\$ 173,465	24.55%

See accompanying notes to Required Supplementary Information - Firefighters' Retirement Plan.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Investment Returns
Firefighters' Retirement Plan
Year Ended September 30, 2019

<u>Fiscal Year Ended September 30,</u>	<u>Money Weighted Rate of Investment Return</u>
2014	8.42%
2015	-.08%
2016	8.11%
2017	13.38%
2018	7.47%
2019	5.45%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

See accompanying notes to Required Supplementary Information - Firefighters' Retirement Plan.

CITY OF LABELLE, FLORIDA
Notes to Required Supplementary Information
Firefighters' Retirement Plan
Year Ended September 30, 2019

NOTE A - INFORMATION USED TO DETERMINE THE NET PENSION LIABILITY

Employer's reporting date	September 30, 2019
Measurement date	September 30, 2019
Actuarial valuation date	October 1, 2017
Actuarial cost method	Aggregate cost method
Amortization method	Level dollar, open
Asset valuation method	Market value

Actuarial Assumptions

Discount rate	7.00% per annum (2.77% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments
Salary increases	4.00% per annum
Cost-of-living increases	None assumed
Mortality basis	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB
Retirement	Retirement is assumed to occur at normal retirement age
Other decrements	None assumed
Non-investment expenses	Liabilities have been loaded by 16.5% to account for non-investment expenses
Future contributions	Contributions from the employer and employees are assumed to be made as legally required
Changes	No assumptions were changed since the prior measurement date.

CITY OF LABELLE, FLORIDA
Schedule to Determine Compliance
With Interlocal Fire Protection
and Animal Control Agreements
Year Ended September 30, 2019

	Fire Protection	Animal Control
Departmental expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds (See pages 17-18)		
Expenditures - current	\$ 446,969	\$ 253,717
Expenditures - debt service - fire trucks	49,035	-
Less: Fire station and fire equipment grants	(67,475)	-
Total departmental expenditures	428,529	253,717
 Hendry County's percentage of net departmental expenditures per agreements	 61.90%	 50%
Portion of net departmental expenditures to be paid by Hendry County	265,259	126,859
Total received from Hendry County for services	317,835	90,496
Amounts due (to) from Hendry County for the fiscal year ended September 30, 2019	\$ (52,576)	\$ 36,363

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenses -
Business-type Activities - Water and Sewer Systems
Year Ended September 30, 2019

	<u>Water System</u>	<u>Sewer System</u>	<u>Totals</u>
Operating revenues			
Charges for services	<u>\$ 2,179,893</u>	<u>\$ 877,871</u>	<u>\$ 3,057,764</u>
Operating expenses			
Administrative	148,693	57,979	206,672
Treatment plants	775,812	497,202	1,273,014
Water distribution	296,370	-	296,370
Wastewater collection	-	167,842	167,842
Depreciation	<u>674,445</u>	<u>534,507</u>	<u>1,208,952</u>
Total operating expenses	<u>1,895,320</u>	<u>1,257,530</u>	<u>3,152,850</u>
Operating income (loss)	<u>284,573</u>	<u>(379,659)</u>	<u>(95,086)</u>
Nonoperating revenues (expenses)			
Interest income	17,112	10,496	27,608
Interest expense and fiscal charges	<u>(349,430)</u>	<u>(133,918)</u>	<u>(483,348)</u>
Total nonoperating revenues (expenses)	<u>(332,318)</u>	<u>(123,422)</u>	<u>(455,740)</u>
Net loss before contributions	(47,745)	(503,081)	(550,826)
Contributions	<u>68,365</u>	<u>11,264</u>	<u>79,629</u>
Net income (loss)	<u>\$ 20,620</u>	<u>\$ (491,817)</u>	<u>\$ (471,197)</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures -
Budget and Actual - Budgetary Basis
Business-type Activities
Year Ended September 30, 2019

	<u>Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
User fees	\$ 2,599,000	\$ 2,955,776	\$ 356,776
Connection and turn-on fees	12,500	50,714	38,214
Miscellaneous operating revenues	30,000	51,274	21,274
Interest income	5,500	27,608	22,108
Capital contribution - impact fees	60,000	2,900	(57,100)
Sewer hook-up assessments	10,000	987	(9,013)
Operating grants - FEMA	<u>-</u>	<u>76,729</u>	<u>76,729</u>
Total revenues	<u>2,717,000</u>	<u>3,165,988</u>	<u>448,988</u>
Expenditures			
Administration			
Payroll	120,429	68,378	52,051
Payroll taxes	8,965	6,865	2,100
Retirement expense	8,354	27,086	(18,732)
Engineering, legal, and other contract services	25,765	31,333	(5,568)
Audit fees	18,500	22,500	(4,000)
Travel and per diem	1,000	-	1,000
Telephone and communications	10,000	11,796	(1,796)
Insurance	26,035	13,584	12,451
Office supplies and other supplies	11,750	12,963	(1,213)
Fees, dues, and donations	27,500	6,517	20,983
Repairs and maintenance	2,500	5,650	(3,150)
Miscellaneous and reserve for contingencies	<u>30,519</u>	<u>-</u>	<u>30,519</u>
Total administration	<u>291,317</u>	<u>206,672</u>	<u>84,645</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures -
Budget and Actual - Budgetary Basis (continued)
Business-type Activities
Year Ended September 30, 2019

	<u>Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures (continued)			
Treatment plants			
Payroll	245,649	311,916	(66,267)
Payroll taxes	18,089	21,533	(3,444)
Retirement expense	16,435	69,743	(53,308)
Utilities and telephone	175,000	229,035	(54,035)
Tools and supplies	29,500	10,987	18,513
Chemicals	110,000	151,455	(41,455)
Repairs and maintenance	174,162	229,192	(55,030)
Tests	40,000	36,899	3,101
Insurance	120,165	163,903	(43,738)
Engineering and legal fees	2,500	19,695	(17,195)
Contract services	6,000	-	6,000
Gas and oil	9,000	12,443	(3,443)
Drainage district assessment	<u>15,000</u>	<u>16,213</u>	<u>(1,213)</u>
Total treatment plants	<u>961,500</u>	<u>1,273,014</u>	<u>(311,514)</u>
Water distribution system			
Payroll	113,564	162,708	(49,144)
Payroll taxes	8,970	11,908	(2,938)
Retirement expense	8,609	36,754	(28,145)
Repairs and maintenance	50,000	66,390	(16,390)
Tools and supplies	5,000	4,024	976
Insurance	<u>22,507</u>	<u>14,586</u>	<u>7,921</u>
Total water distribution system	<u>208,650</u>	<u>296,370</u>	<u>(87,720)</u>
Wastewater collection system			
Payroll	30,529	49,052	(18,523)
Payroll taxes	2,514	3,650	(1,136)
Retirement expense	2,420	9,867	(7,447)
Utilities	17,500	17,973	(473)
Tools and supplies	9,700	11,108	(1,408)
Repairs and maintenance	51,000	67,970	(16,970)
Insurance	4,795	7,809	(3,014)
Engineering fees	<u>2,500</u>	<u>413</u>	<u>2,087</u>
Total wastewater collection system	<u>120,958</u>	<u>167,842</u>	<u>(46,884)</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures -
Budget and Actual - Budgetary Basis (continued)
Business-type Activities
Year Ended September 30, 2019

	<u>Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures (continued)			
Debt service			
Principal on notes and revenue bonds payable	383,262	307,059	76,203
Interest on notes and revenue bonds payable	<u>603,302</u>	<u>483,348</u>	<u>119,954</u>
Total debt service	<u>986,564</u>	<u>790,407</u>	<u>196,157</u>
Capital outlay			
Equipment purchases, construction costs for new services, system improvements, and construction in progress	<u>111,611</u>	<u>14,432</u>	<u>97,179</u>
Total expenditures	<u>2,680,600</u>	<u>2,748,737</u>	<u>(68,137)</u>
Excess of revenues over expenditures	<u>36,400</u>	<u>417,251</u>	<u>380,851</u>
Operating transfers			
Operating transfers-in	400,000	-	(400,000)
Operating transfers-out	<u>(450,000)</u>	<u>-</u>	<u>450,000</u>
Total operating transfers	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Excess of revenues and operating transfers-in over (under) expenditures and transfers-out - budgetary basis	<u>\$ (13,600)</u>	<u>\$ 417,251</u>	<u>\$ 430,851</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures
Budget and Actual - Budgetary Basis (continued)
Business-type Activities
Year Ended September 30, 2019

The following is a reconciliation of the changes in net position of the business-type activities, as shown on page 14 and net income (loss) of the business-type activities, as shown on page 86, to excess of revenues and operating transfers-in over (under) expenditures and transfers-out on a budgetary basis, as shown on page 89.

Changes in net position - business-type activities and net income (loss) - business-type activities (page 14 and page 86)	\$ (471,197)
Add depreciation	1,208,952
Add sewer hook-up assessments - budgetary basis	987
Less capital outlay - budgetary basis	(14,432)
Less principal on notes and bonds payable - budgetary basis	<u>(307,059)</u>
 Excess of revenues and operating transfers-in over expenditures and transfers-out - budgetary basis as shown on page 89.	 <u>\$ 417,251</u>

CITY OF LABELLE, FLORIDA
Schedule of Changes in Assets and Liabilities
Agency Fund
Year Ended September 30, 2019

	October 1, 2018	Additions	Deletions	September 30, 2019
Assets				
Investments	\$ 169,133	\$ 936,357	\$ 932,652	\$ 172,838
Accounts receivable	94,337	935,529	935,144	94,722
	\$ 263,470	\$ 1,871,886	\$ 1,867,796	\$ 267,560
 Liabilities				
Accounts payable	\$ 3,343	\$ 80	\$ -	\$ 3,423
Due to sanitation contractor	158,172	890,665	885,907	162,930
Due to General Fund	98,478	45,887	46,635	97,730
Due to Enterprise Fund	3,477	-	-	3,477
	\$ 263,470	\$ 936,632	\$ 932,542	\$ 267,560

CITY OF LABELLE, FLORIDA
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2019

Federal Agency / State Pass Through Entity / Federal Program	CFDA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Subrecipients
U.S. Department of Agriculture - Rural Housing Service					
Community Facilities Loans and Grants					
(G) Direct Loan - City of LaBelle					
Capital Improvement Revenue Bond - Series 2019	10.766	Loan #15	\$ 252,700	\$ 252,700	\$ -
(G) Grant - Improvements to City of LaBelle Civic Center	10.766	Grant #16	\$ 211,000	211,000	\$ -
U.S. Department of Homeland Security					
Passed Through Florida Division of Emergency Management					
(G) Public Assistance Program - & (B) DR - 4337 Hurricane Irma	97.036	Various	\$ 182,800	<u>182,800</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 646,500</u>	<u>\$ -</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

CITY OF LABELLE, FLORIDA
Schedule of Expenditures of Federal Awards
and State Financial Assistance (continued)
Year Ended September 30, 2019

State Grantor / Program Title	CSFA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Subrecipients
Florida Department of Environmental Protection					
(G) Statewide Surface Water Restoration and Wastewater Projects LaBelle Fort Thompson Water Quality Improvement Project	37.039	LP26035	\$ 200,000	\$ 141,123	\$ -
Florida Department of Financial Services					
(G) Local Government Fire Service Grant City Fire Station Renovation	43.007	FM391	\$ 318,000	<u>67,475</u>	<u>-</u>
Total Expenditures of State Financial Assistance				<u>\$ 208,598</u>	<u>\$ -</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

CITY OF LABELLE, FLORIDA
Notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance
For the Year Ended September 30, 2019

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance included herein represents the federal and state grant activity of the City of LaBelle (the City) recorded by the City during the fiscal year ended September 30, 2019.

NOTE 2 - REPORTING ENTITY

For reporting entity purposes, the Schedule of Expenditures of Federal Awards and State Financial Assistance includes all the activities of the City of LaBelle's primary government. The City had no blended or discretely presented component units. Federal awards programs and state projects recorded in the governmental activities are noted by (G). Those recorded in the City's business-type activities are noted by (B).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards Subpart F*, Chapter 691-5, *Schedule of Expenditures of State Financial Assistance*, Rules of the Department of Financial Services; and Chapter 10.550, Rules of the Auditor General.

Basis of Accounting

The expenditures in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented using the modified accrual basis of accounting, except for the proprietary funds, which are presented on the accrual basis. The modified accrual basis recognizes expenditures in the period the associated liability is incurred, when matured and due, while under the accrual basis, expenses are recognized when incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 - SUBRECIPIENTS

The City of LaBelle provided no financial assistance to subrecipients during the fiscal year ended September 30, 2019.

NOTE 5 - CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed. However, possible disallowance by the governmental agency of any item charged to a program cannot be determined at this time.

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

Honorable Mayor and City Commissioners
City of LaBelle, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaBelle, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of LaBelle, Florida's basic financial statements and have issued our report thereon dated June 19, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2009-1 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LaBelle, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Finding 2019-1.

City of LaBelle, Florida's Responses to Findings

The City of LaBelle, Florida's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of LaBelle, Florida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Boy, Miller, Kistner & Perry, P.A.

LaBelle, Florida
June 19, 2020

CITY OF LABELLE, FLORIDA
Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2019

Finding 2009-1 - Internal Control Over Financial Reporting (Material Weakness)

Condition: The City of LaBelle, Florida, should have the skills and competencies necessary to prevent or detect and correct a material misstatement in its financial statements.

Criteria: Statement on Auditing Standards require the auditor to determine if the City of Labelle, Florida, is capable of preparing the enclosed financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Cause: The City of LaBelle, Florida, does not currently have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Effect: A material misstatement in the financial statements of the City of LaBelle, Florida, may not be prevented, detected, and corrected by the City.

Recommendation: The City of LaBelle, Florida, should develop a strategy to address the material weakness in internal control over financial reporting.

Views of Responsible Officials and Planned Corrective Actions: The City has reviewed the requirements related to Statements on Auditing Standards as they apply to financial reporting and determined currently it is not economically feasible to hire an individual to meet the Statements on Auditing Standards at this time. The City will continue to evaluate the costs versus benefits of meeting the standards of financial reporting as the City moves into the future.

Finding 2019-1 - Expenditures Exceeding Budget (Compliance)

Condition: During the fiscal year ended September 30, 2019, the City expenditures within the governmental funds exceeded the total budgeted expenditures by \$12,688.

Criteria: Florida Statutes, Chapter 166.241, states "The adopted budget must regulate expenditures of the municipality, and an officer of a municipal government may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget."

Cause: The City of Labelle, Florida, incurred certain expenditures during the fiscal year ended September 30, 2019, which were unanticipated, particularly in connection with damage caused by Hurricane Irma.

Effect: The unanticipated and unbudgeted expenditures caused the City not to be in compliance with Florida Statutes, Chapter 166.241.

Recommendation: The City of LaBelle, Florida, should develop an annual budget which allows for contingencies and unanticipated costs.

Views of Responsible Officials and Planned Corrective Actions: The City has reviewed the finding and is in agreement with the expenditures related to Hurricane Irma. While the City has a Contingency line item, the expenses caused by the disaster exceeded the line item by \$12,688. The City has since increased the line item and will continue to evaluate the amount on a year to year basis. Should the City be faced with disaster expenses in the future, the City will be better prepared to handle unexpected expenditures and ensure that the budget will not be exceeded.

BOY, MILLER, KISKER & PERRY, P.A.
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MEMBERS
AMERICAN INSTITUTE OF
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FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and City Commissioners
City of LaBelle, Florida

We have examined the City of LaBelle, Florida's compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10)(a) of the Auditor General of the State of Florida during the fiscal 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 of LaBelle, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards 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 of LaBelle 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 of LaBelle, Florida's compliance with the specified requirements.

In our opinion, the City of LaBelle, Florida, complied, in all material respects, with the requirements of Section 218.415, Florida Statutes for the fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, the City Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Boy, Miller, Kisker & Perry, P.A.

LaBelle, Florida
June 19, 2020

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MEMBERS
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FLORIDA INSTITUTE OF
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MANAGEMENT LETTER IN ACCORDANCE WITH
THE RULES OF THE AUDITOR GENERAL OF THE
STATE OF FLORIDA

Honorable Mayor and City Commissioners
City of LaBelle, Florida

Report on the Financial Statements

We have audited the financial statements of the City of LaBelle, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 19, 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 Financial Statements Performed in Accordance with *Government Auditing Standards*; the Schedule of Findings and Responses; 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 (if any) in those reports and schedule, which are dated June 19, 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. The only prior year finding and recommendation, as shown below, has been repeated in this annual financial audit report.

PRIOR YEAR FINDING AND RECOMMENDATION

See Finding 2009-1 which is described in the Schedule of Findings and Responses on page 97 and was included in the second preceding fiscal year 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 name and legal authority for the City of LaBelle, Florida, is disclosed in the notes to the financial statements. There were no component units related to the City of LaBelle, Florida.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of LaBelle, Florida. It is management's responsibility to monitor the City of LaBelle, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

City of LaBelle, Florida's Responses to Findings

The City of LaBelle, Florida's responses to the findings identified in our audit are described in the Schedule of Findings and Responses on page 97. The City of LaBelle, Florida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commissioners and applicable management of the City of LaBelle, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Boy, Miller, Kisker & Perry, P.A.

LaBelle, Florida
June 19, 2020

Thomas A. Smith
Commissioner

Daniel W. Akin
Commissioner



David A. Lyons
Mayor

Julie C. Wilkins
Commissioner

David Kelley
Commissioner

June 19, 2020

Ms. Sherrill F. Norman, CPA
Auditor General
State of Florida
111 W. Madison Street
Claude Denson Pepper Building
Tallahassee, FL 32399-1450

Re: City's response to auditors' findings in the Schedule of Findings and Responses for the FY 2018-2019

Dear Ms. Norman:

The Rules of the Auditor General require the audit report to include a written statement of explanation, including corrective action to be taken, or a rebuttal regarding any deficiencies cited by the auditor in the annual financial report.

AUDITORS' FINDINGS REPORTED IN THE SCHEDULE OF FINDINGS AND RESPONSES

Prior Year Comment Which Continues to Apply

Finding 2009-1 - Internal Control Over Financial Reporting

The City has reviewed the requirements related to the Statements on Auditing Standards as they apply to financial reporting and determined currently it is not economically feasible to hire an individual to meet the Statements on Auditing Standards at this time. The City will continue to evaluate the cost versus benefits of meeting the standards of financial reporting as the City moves into the future.

Current Year Comment and Recommendation

Finding 2019-1 – Expenditures Exceeding Budget (Compliance)

The City has reviewed the finding and is in agreement with the expenditures related to Hurricane Irma. While the City has a Contingency line item, the expenses caused by the disaster exceeded the line item by \$12,688. The City has since increased the line item and will continue to evaluate the amount on a year to year basis. Should the City be faced with disaster expenses in the future, the City will be better prepared to handle unexpected expenditures and ensure that the budget will not be exceeded.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Zimmerly".

Ron Zimmerly
Finance Director