

# Annual Financial Report

September 30, 2020



Florida



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## INTRODUCTORY SECTION

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**MAYOR**

Bob Plaisted

**CITY COUNCIL**

David Ryan, Council President

Cabot McBride, Council Member

Ken Hinkle, Council Member

Jacquie Hepfer, Council Member

Linda Bega, Council Member

**STAFF**

City Manager

City Clerk

Human Resources/Executive

Secretary Special Events Director

Finance Director

Public Works Director

Information Technology

Community Development

Eric Williams

Susan Jackson

Shelia Densmore

Elizabeth Fernley

Richard A. LaCondre

Scott McCulloch

Joey Johnston

Greg Rice

**LEGAL COUNSEL**

Haag, Freidrich & Williams, P.A.

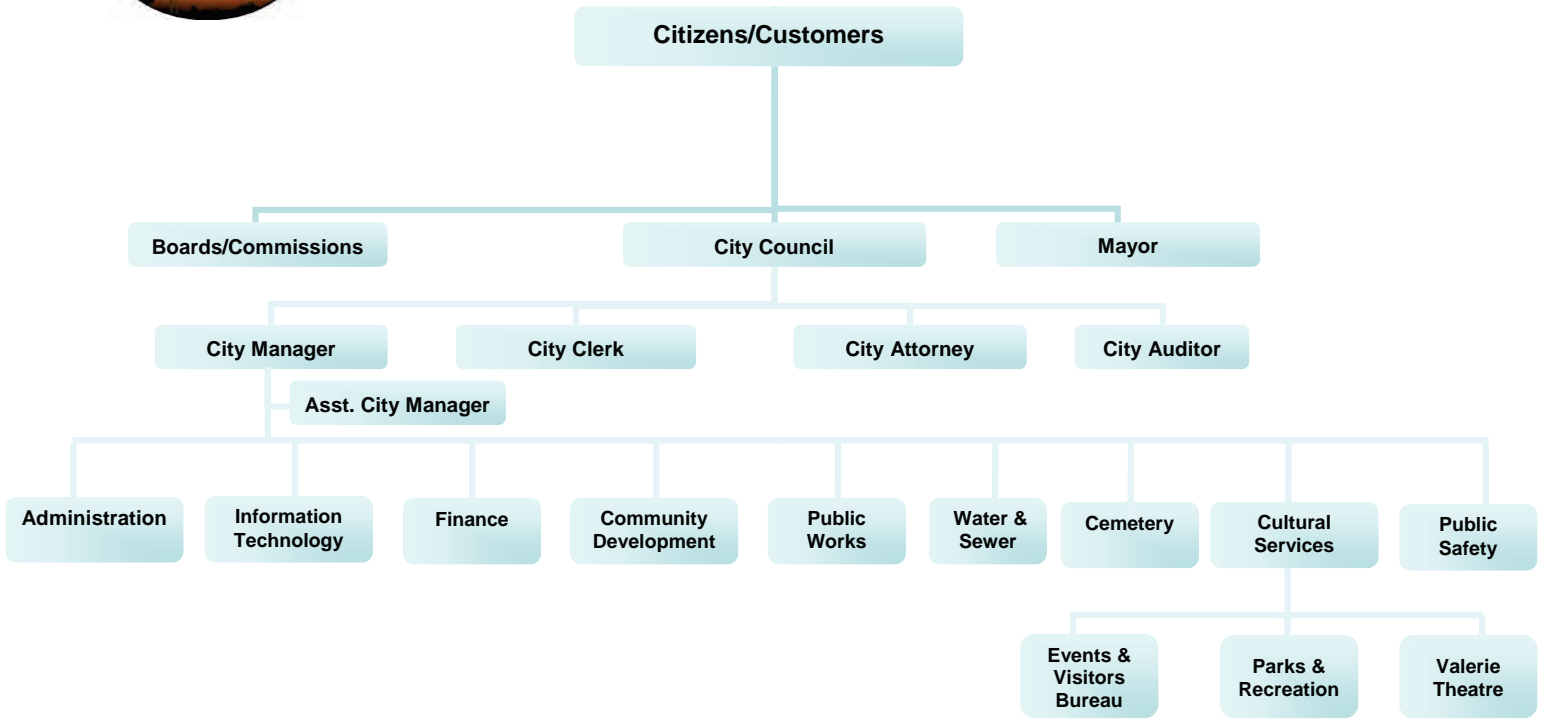
Gilligan, Gooding, Bastel, Anderson & Phelan, P.A.

**AUDITORS**

McDermitt Davis, LLC



# City of Inverness, Florida





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FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
*City of Inverness, Florida*

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inverness, Florida, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, and community redevelopment agency fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis, and pension and the other postemployment benefits disclosures on pages 3 through 13, and 53 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Inverness, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory section and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2021 on our consideration of the *City of Inverness, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Inverness's internal control over financial reporting and compliance.

*McDiarmid Davis*

Orlando, Florida  
June 10, 2021



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities of the City of Inverness (the "City") for the fiscal year ended September 30, 2020 is designed to assist the reader in a) focusing on significant financial issues, b) providing an overview of the City's financial activity, c) identifying changes in the City's financial position, d) identifying any material deviations from the approved budget, and e) identifying individual fund issues or concerns. Please read it in conjunction with the City's Independent Auditor's Report, financial statements, and accompanying notes.

### Introduction

The City of Inverness confronted three challenges during the fiscal year 2020. The first was the retirement of the City Manager. The second challenge was the shutdown of the Nation due to COVID - 19 and finally, the restructuring of City service delivery to accommodate the new assets that were placed in service.

The retirement of the former City Manager and the appointment of his successor resulted in the inheritance of projects that were carried over from the preceding year, closing out projects that still required final inspection and contract compliance, and required development of a business plan to ensure the most efficient service delivery.

As the City was navigating the issues associated with project completion the COVID - 19 shutdown commenced. This event required a reallocation of resources to address COVID - 19, as well as maintaining essential services. The reallocation of resources was done in anticipation of revenue shortfalls and included prioritization of expenditures for essential services and repair items to sustain continued operations. Significant impacts were felt in the functional areas of culture and recreation as well as highways, streets and general government.

### Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$66,659,224 (*net position*). Of this amount, \$21,838,653 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,061,946 or 4.6%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,910,141. Approximately 36% of this total amount, \$6,823,140 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,823,140 or 81% of total general fund expenditures and transfers out.
- The City's total Business-type debt decreased by \$304,208 or 7.3% during the current fiscal year.

### Using this Annual Report

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

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

### Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City include the Public Utilities System and the Oakridge Cemetery.

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

The government-wide financial statements can be found on pages 14-15 of this report.

### **Fund Financial Statements**

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

#### ***Governmental Funds***

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

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

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

The City adopts an annual appropriated budget for the General Fund, Whispering Pines Park Fund, Community Redevelopment Fund, and Capital projects Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget on pages 20-21, page 56 and page 59.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

### ***Proprietary Funds***

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

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

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

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-52 of this report.

### **Required Supplementary Information (RSI)**

RSI can be found on pages 53-55 of this report.

### **Other Information**

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the RSI. Combining and individual fund statements and schedules can be found on pages 56-59 of this report.

### **Government-Wide Financial Analysis**

#### ***Statement of Net Position***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$69,659,224 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (67%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$21,838,653) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2020, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The following table reflects the condensed Statement of Net Position for the current and prior year. For more detail see the Statement of Net Position on page 14.



Statement of Net Position  
As of September 30,

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 17,963,801	\$ 13,222,449	\$ 8,747,341	\$ 8,184,228	\$ 26,711,142	\$ 21,406,677
Restricted assets	1,428,829	8,565,936	346,083	313,833	1,774,912	8,879,769
Capital assets	38,231,301	35,286,957	23,887,413	23,844,119	62,118,714	59,131,076
<b>Total assets</b>	<b>57,623,931</b>	<b>57,075,342</b>	<b>32,980,837</b>	<b>32,342,180</b>	<b>90,604,768</b>	<b>89,417,522</b>
Deferred outflows	1,315,248	1,247,192	71,791	61,980	1,387,039	1,309,172
Current liabilities	670,406	2,468,312	205,099	187,320	875,505	2,655,632
Long term liabilities outstanding	16,920,720	16,537,419	4,085,978	4,326,735	21,006,698	20,864,154
Other liabilities	-	-	325,500	311,501	325,500	311,501
<b>Total liabilities</b>	<b>17,591,126</b>	<b>19,005,731</b>	<b>4,616,577</b>	<b>4,825,556</b>	<b>22,207,703</b>	<b>23,831,287</b>
Deferred inflows	118,417	284,015	6,463	14,114	124,880	298,129
Net position:						
Net investment in capital assets	26,897,660	30,785,660	20,024,898	19,677,396	46,922,558	50,463,056
Restricted	566,192	156,217	331,821	409,427	898,013	565,644
Unrestricted	13,765,784	8,090,911	8,072,869	7,477,667	21,838,653	15,568,578
<b>Total net position</b>	<b>\$ 41,229,636</b>	<b>\$ 39,032,788</b>	<b>\$ 28,429,588</b>	<b>\$ 27,564,490</b>	<b>\$ 69,659,224</b>	<b>\$ 66,597,278</b>

*Statement of Activities*

The following table reflects the condensed Statement of Activities for the current and prior year. For more detailed information see the Statement of Activities on page 15. Note that total net position increased by \$3,061,946.

Net position for governmental activities increased by \$2,196,848. Key elements of this change are:

- Capital grants and contributions for governmental activities increased by \$419,556 primarily resulting from increased grant activity, from state and local governments.
- Operational costs, in general, are controlled with little growth or change. Impacts of pandemic curtailed activities which reduced costs.

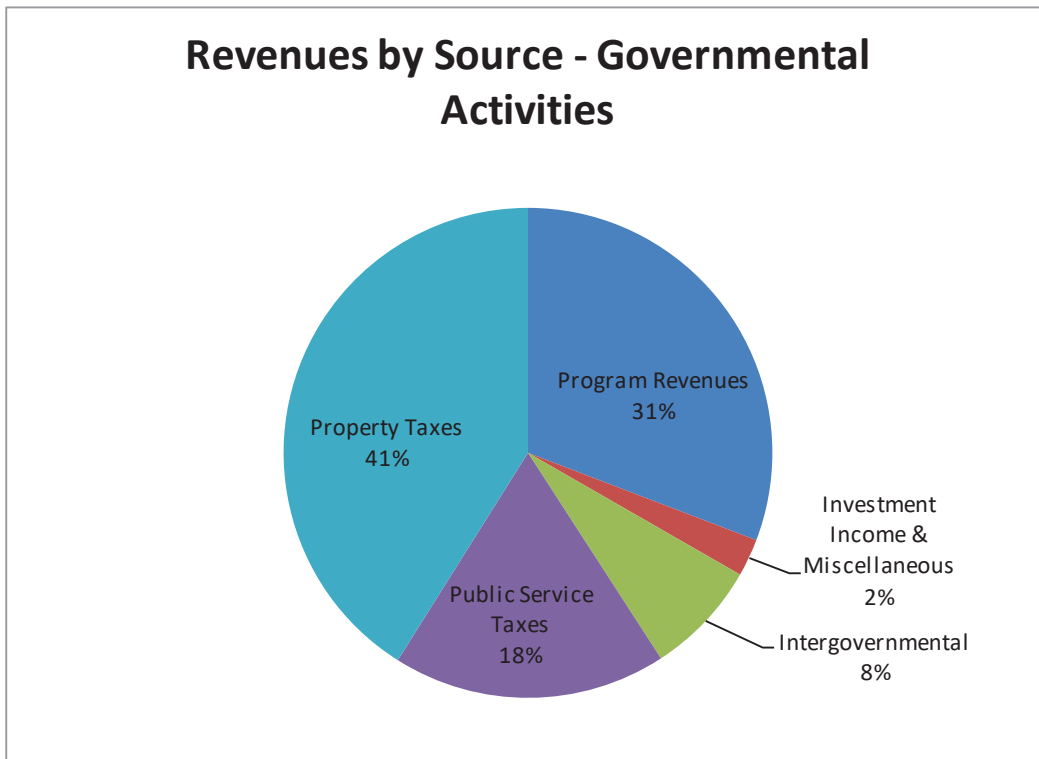
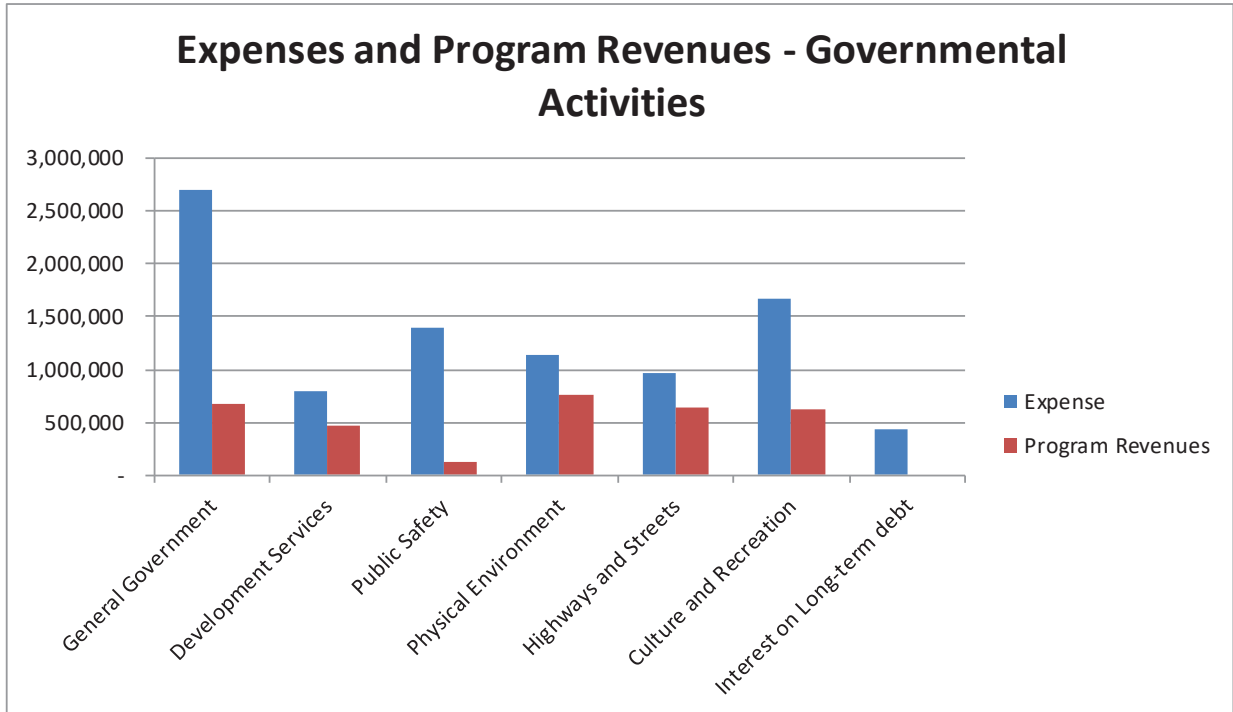
Net position for business-type activities increased by \$865,098. The key element of this change was:

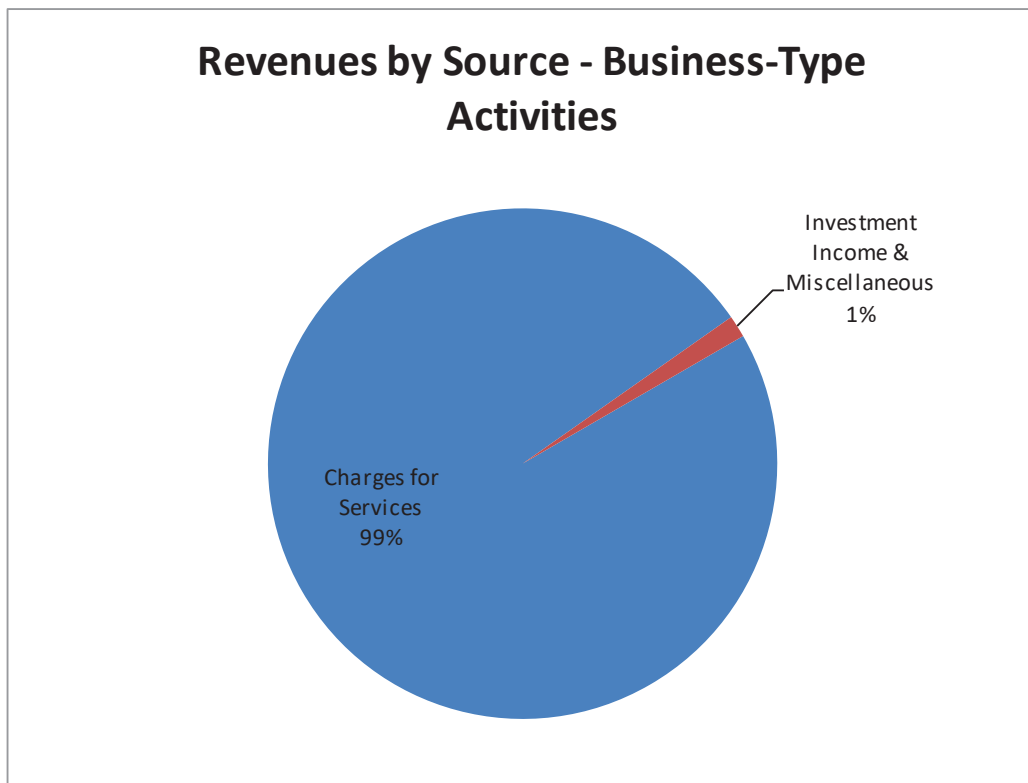
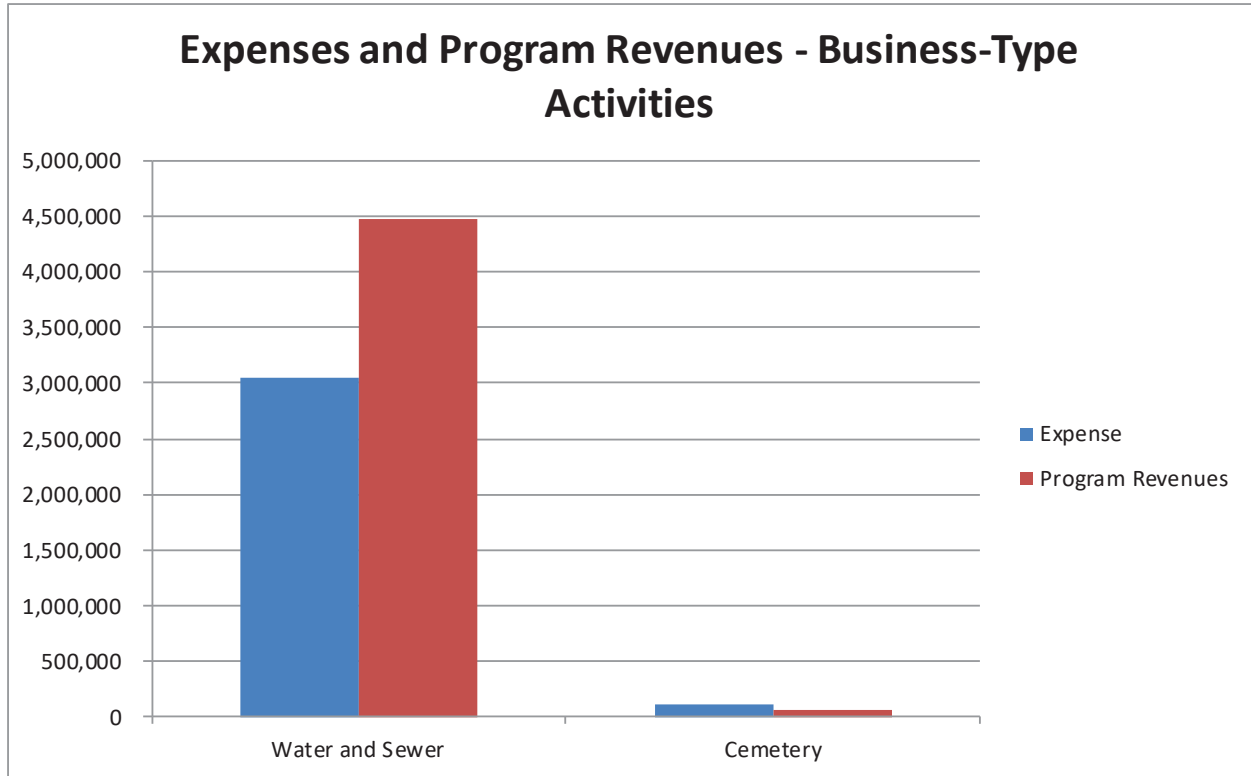
- Implementation of Rate Study recommendations for all utilities.

City of Inverness, Florida  
**Management's Discussion and Analysis**

**Changes in Net Position**  
**For the Years Ended September 30,**

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,171,598	\$ 2,026,618	\$ 4,531,306	\$ 3,907,658	\$ 6,702,904	\$ 5,934,276
Operating grants and contributions	505,065	581,322	-	-	505,065	581,322
Capital grants and contributions	628,394	208,838	-	-	628,394	208,838
General Revenues:						
Property and other taxes	4,405,859	4,177,767	-	-	4,405,859	4,177,767
Other taxes and fees	1,941,964	1,866,798	-	-	1,941,964	1,866,798
Intergovernmental	811,890	819,298	-	-	811,890	819,298
Other	265,834	604,819	64,205	116,003	330,039	720,822
<b>Total revenues</b>	<b>10,730,604</b>	<b>10,285,460</b>	<b>4,595,511</b>	<b>4,023,661</b>	<b>15,326,115</b>	<b>14,309,121</b>
<b>Expenses:</b>						
General government	2,697,761	2,639,020	-	-	2,697,761	2,639,020
Community development services	795,557	422,348	-	-	795,557	422,348
Public safety	1,398,052	1,322,253	-	-	1,398,052	1,322,253
Physical environment	1,140,574	1,069,751	-	-	1,140,574	1,069,751
Roads and streets	974,150	929,926	-	-	974,150	929,926
Culture and recreation	1,664,850	1,802,708	-	-	1,664,850	1,802,708
Interest on long-term debt	441,312	449,837	-	-	441,312	449,837
Water and sewer	-	-	3,046,383	3,037,503	3,046,383	3,037,503
Cemetery	-	-	105,530	111,773	105,530	111,773
<b>Total expenses</b>	<b>9,112,256</b>	<b>8,635,843</b>	<b>3,151,913</b>	<b>3,149,276</b>	<b>12,264,169</b>	<b>11,785,119</b>
Increase (decrease) in net position before transfers	1,618,348	1,649,617	1,443,598	874,385	3,061,946	2,524,002
Transfers	578,500	378,500	(578,500)	(378,500)	-	-
Increase (decrease) in net position	2,196,848	2,028,117	865,098	495,885	3,061,946	2,524,002
Net position, October 1	39,032,788	37,004,671	27,564,490	27,068,605	66,597,278	64,073,276
<b>Net Position, September 30</b>	<b>\$ 41,229,636</b>	<b>\$ 39,032,788</b>	<b>\$ 28,429,588</b>	<b>\$ 27,564,490</b>	<b>\$ 69,659,224</b>	<b>\$ 66,597,278</b>





### Financial Analysis of the Government's Funds

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

#### Governmental Funds

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

As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$18,910,141, a decrease of \$601,474. Approximately 36% or \$6,823,140 of this total constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,823,140 while total fund balance reached \$9,043,737. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 81% of total general fund expenditures and transfers out, compared to 81% for last year. Total fund balance represents 107% of total general fund expenditures and transfers out, compared to 113% for last year.

Fund balance of the City's General Fund increased by \$548,862 due to reductions in expenditures and increased revenues.

The Community Redevelopment Special Revenue Fund is considered a major fund. This fund was created in 1990 as a dependent taxing district. The incremental annual increase in tax over the base years is used to fund projects. As of September 30, 2020, the fund balance was \$1,995,021 a decrease of \$2,655,668. This decrease is a result of additional expenses for community development projects.

The fund balance of the Capital Projects Fund increased \$1,450,478 as a result of financial support from the General Fund for planned projects which were initiated but not completed during the fiscal year and were carried forward.

#### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$7,613,076 and unrestricted net position for the Cemetery Fund amounted to \$459,793. The total increase in Water and Sewer Utility Fund was \$910,072 and the decrease in the Cemetery Fund was \$44,974. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities on page 6.

#### General Fund Budgetary Highlights

All functional expenditure areas expended less than budgeted for a total positive variance of \$1,524,650 due to underspending in operations and maintenance areas as a result of the pandemic.

#### Capital Asset and Debt Administration

##### *Capital Assets*

The City's investment in capital assets for its governmental and business type activities as of September 30, 2020 amounts to \$62,118,714 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment.

City of Inverness, Florida  
**Management's Discussion and Analysis**

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

*Governmental Activities*

- Depot District, Wallace Brooks Park and Liberty Park Construction Project completed \$11,833,224.
- CDBG Streetscape improvements completed \$2,000,000
- Total Depot District, Wallace Brooks and Liberty Park Project cost \$12,406,946

Additional information on the City's capital assets can be found in note 6 on pages 36-37 of this report.

**Capital Assets (Net of Depreciation)**  
As of September 30, 2020 and September 30, 2019

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,714,757	\$ 3,714,757	\$ 651,855	\$ 651,855	\$ 4,366,612	\$ 4,366,612
Buildings	12,512,442	8,021,104	13,532,535	13,888,766	26,044,977	21,909,870
Improvements	19,849,856	11,794,796	8,553,238	8,193,031	28,403,094	19,987,827
Machinery and equipment	1,646,074	988,296	1,095,208	997,169	2,741,282	1,985,465
Intangibles	80,655	116,979	-	-	80,655	116,979
Construction in progress	427,517	10,651,025	54,577	113,298	482,094	10,764,323
<b>Total capital assets</b>	<b>\$ 38,231,301</b>	<b>\$ 35,286,957</b>	<b>\$ 23,887,413</b>	<b>\$ 23,844,119</b>	<b>\$ 62,118,714</b>	<b>\$ 59,131,076</b>

*Long-Term Debt*

At the end of the current fiscal year, the City had total debt outstanding of \$16,272,516.

**Long Term Debt**  
As of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
ICRA refunding revenue bonds	\$ 12,410,000	\$ 12,700,000	\$ -	\$ -	\$ 12,410,000	\$ 12,700,000
SRF note payable	-	-	2,774,477	2,916,459	2,774,477	2,916,459
Capital lease	-	-	1,088,039	1,250,264	1,088,039	1,250,264
<b>Total</b>	<b>\$ 12,410,000</b>	<b>\$ 12,700,000</b>	<b>\$ 3,862,516</b>	<b>\$ 4,166,723</b>	<b>\$ 16,272,516</b>	<b>\$ 16,866,723</b>

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

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

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

Additional information on the City's long-term debt can be found in notes 7 and 8 on pages 38 - 41 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

As the City approached the development of the FY2021 budget process, the opportunity to present a budget utilizing knowledge gained from FY2020 events was implemented. An update of the purchasing policy was completed, adopted by City Council and distributed to all staff. The City Manager introduced a budgeting concept of Plan, Fund and Execute whereby department heads established what would be accomplished with the funding allocated to their departments. While still operating in the pandemic environment the challenges of what could be accomplished had to be factored into the decision making process. Business plans were developed to assist in creating the most operational and cost effective service delivery possible.

On April 9, 2020 the Budget Overview Workshop presented facts, market trends, a local analysis of economic and social conditions, plus items that potentially would require policy changes to keep the community moving forward with an estimated 15% reduction in non-ad valorem revenues for the FY 20-21. A focus of the workshop was the current approach to fiscal policies regarding the City's restricted and unrestricted fund balances. On March 17, 2020 the City adopted a residential sanitation fee program that would be implemented October 1, 2020. As part of the Budget Overview presentation the need to continue the approach of developing new revenue sources into the general fund in the face of slow valuation growth was discussed. The continued approach will be to diversify the revenue streams to reduce emphasis on property valuations and shift a portion to certain fees and charges affording reductions in the City's millage rate.

On April 30, 2020, a Workshop was held to discuss the Five-year Capital Plan. A summary of completed projects, plus a discussion of pending projects that are scheduled for the five-year plan period, was made. This presentation featured a focus on looking to a shift to strategic infrastructure investment. This included an ambitious annual road resurfacing program in concert with the development of capital projects that offered a return on investment by way of expanding/increasing the tax base. The City will continue to be an attractive location for retirees and families seeking an affordable high quality of life. The need to develop new housing starts to receive the interest will require the City to look at how it can incentivize and improve conditions for residential development in under developed areas of the Inverness Acres and Inverness Villages Units 1 and 2 subdivisions.

In the face of effects from COVID 19 the City Council at its July 7, 2020 meeting set the tentative millage rate for the development of the budget in the ensuing fiscal year at the current rate of 8.2729 capturing a 4.9% increase in valuation over the previous year. A City-Wide Budget presentation was made at a public workshop on July 23, 2020 at 5:30pm, to discuss final budget figures that were structured to keep the millage rate at the same level, without change, for the ensuing fiscal year and would develop a plan for the reduction of the millage rate in the future.

On September 3, 2020, after a public hearing, the City set a tentative millage rate of 7.9730. Final adoption of the 2020-2021 budget was September 17, 2020.

In closing the financial position of the City is strong and stable. The proposed budget reflects the new normal, prioritizes our greatest assets, refocuses capital investment, maintains current levels of service, and continues to advance established priorities. Our guiding principle of Plan-Fund-Execute through this and future budget development cycles presents a balanced budget to reflect the new community economic conditions and continue to provide great service to our community.

**Requests for Information**

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



## BASIC FINANCIAL STATEMENTS

City of Inverness, Florida  
**Statement of Net Position**  
September 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,521,076	\$ 2,814,131	\$ 9,335,207
Investments	10,948,231	5,260,276	16,208,507
Receivables, net	368,315	554,031	922,346
Due from other governments	114,188	-	114,188
Inventories	1,200	98,112	99,312
Prepaid costs	10,791	20,791	31,582
Restricted assets:			
Cash and cash equivalents	-	346,083	346,083
Investments	1,428,829	-	1,428,829
Capital Assets:			
Capital assets not being depreciated	4,142,274	706,432	4,848,706
Capital assets being depreciated, net of accumulated depreciation	34,089,027	23,180,981	57,270,008
<b>Total capital assets</b>	<b>38,231,301</b>	<b>23,887,413</b>	<b>62,118,714</b>
<b>Total assets</b>	<b>57,623,931</b>	<b>32,980,837</b>	<b>90,604,768</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of pension earnings	1,315,248	71,791	1,387,039
<b>Total deferred outflows of resources</b>	<b>1,315,248</b>	<b>71,791</b>	<b>1,387,039</b>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	324,371	182,800	507,171
Due to other governmental agencies	2,023	-	2,023
Accrued interest	187,917	22,299	210,216
Deposits payable	47,547	325,500	373,047
Unearned revenue	108,548	-	108,548
Noncurrent liabilities:			
Due within one year	322,166	332,084	654,250
Due in more than one year	16,598,554	3,753,894	20,352,448
<b>Total liabilities</b>	<b>17,591,126</b>	<b>4,616,577</b>	<b>22,207,703</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of pension earnings	118,417	6,463	124,880
<b>Total deferred outflows of resources</b>	<b>118,417</b>	<b>6,463</b>	<b>124,880</b>
<b>Net Position:</b>			
Net investment in capital assets	26,897,660	20,024,898	46,922,558
Restricted for:			
Capital projects	566,192	-	566,192
Perpetual Care	-	331,821	331,821
Unrestricted	13,765,784	8,072,869	21,838,653
<b>Total net position</b>	<b>\$ 41,229,636</b>	<b>\$ 28,429,588</b>	<b>\$ 69,659,224</b>

City of Inverness, Florida  
**Statement of Activities**  
Year Ended September 30, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 2,697,761	\$ 671,525	\$ -	\$ -	\$ (2,026,236)	\$ -	\$ (2,026,236)
Community Development Services	795,557	-	-	477,606	(317,951)	-	(317,951)
Public Safety	1,398,052	100,316	22,107	-	(1,275,629)	-	(1,275,629)
Physical Environment	1,140,574	761,325	2,599	-	(376,650)	-	(376,650)
Highways & Streets	974,150	157,101	330,359	150,788	(335,902)	-	(335,902)
Culture and Recreation	1,664,850	481,331	150,000	-	(1,033,519)	-	(1,033,519)
Interest on Long-term debt	441,312	-	-	-	(441,312)	-	(441,312)
<b>Total governmental activities</b>	<u>9,112,256</u>	<u>2,171,598</u>	<u>505,065</u>	<u>628,394</u>	<u>(5,807,199)</u>	<u>-</u>	<u>(5,807,199)</u>
Business-type activities:							
Water	3,046,383	4,474,987	-	-	-	1,428,604	1,428,604
Cemetery	105,530	56,319	-	-	-	(49,211)	(49,211)
<b>Total business-type activities</b>	<u>3,151,913</u>	<u>4,531,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,379,393</u>	<u>1,379,393</u>
<b>Total primary government</b>	<u>\$ 12,264,169</u>	<u>\$ 6,702,904</u>	<u>\$ 505,065</u>	<u>\$ 628,394</u>	<u>(5,807,199)</u>	<u>1,379,393</u>	<u>(4,427,806)</u>
General Revenues:							
Property taxes					4,405,859	-	4,405,859
Public service taxes					1,941,964	-	1,941,964
Intergovernmental					811,890	-	811,890
Unrestricted investment earnings					224,216	64,205	288,421
Miscellaneous					41,618	-	41,618
Transfers					578,500	(578,500)	-
<b>Total general revenues and transfers</b>					<u>8,004,047</u>	<u>(514,295)</u>	<u>7,489,752</u>
Change in net position					2,196,848	865,098	3,061,946
Net Position, beginning					39,032,788	27,564,490	66,597,278
Net Position, ending					<u>\$ 41,229,636</u>	<u>\$ 28,429,588</u>	<u>\$ 69,659,224</u>

City of Inverness, Florida  
**Balance Sheet - Governmental Funds**  
September 30, 2020

	General Fund	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Community Redevelopment Fund	Capital Projects		
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,972,143	\$ 526,453	\$ 2,720,636	\$ 301,844	\$ 6,521,076
Investments	6,032,878	40,242	4,613,957	261,154	10,948,231
Accounts Receivable, net	351,619	-	16,359	337	368,315
Due from other governments	114,188	-	-	-	114,188
Inventories	1,200	-	-	-	1,200
Prepaid costs	10,791	-	-	-	10,791
Restricted investments	-	1,428,829	-	-	1,428,829
<b>Total assets</b>	<b>\$ 9,482,819</b>	<b>\$ 1,995,524</b>	<b>\$ 7,350,952</b>	<b>\$ 563,335</b>	<b>\$ 19,392,630</b>
<b>Liabilities:</b>					
Accounts payable	\$ 78,202	\$ 503	\$ 15,095	\$ 9,432	\$ 103,232
Due to other governments	2,023	-	-	-	2,023
Deposits payable	47,537	-	-	10	47,547
Accrued liabilities	202,772	-	-	18,367	221,139
Unearned revenue	108,548	-	-	-	108,548
<b>Total liabilities</b>	<b>439,082</b>	<b>503</b>	<b>15,095</b>	<b>27,809</b>	<b>482,489</b>
<b>Fund Balances:</b>					
Nonspendable	11,991	-	-	-	11,991
Restricted for:					
Capital improvements	-	-	-	364,854	364,854
Community redevelopment	-	1,995,021	-	-	1,995,021
Committed to:					
Capital equipment replacement	501,000	-	-	-	501,000
Land acquisition	420,687	-	-	-	420,687
Inverness Government Center sustainability	814,669	-	-	-	814,669
Valerie Theater building reserve	86,250	-	-	-	86,250
Employee accrual balance	136,000	-	-	-	136,000
Tort litigation	200,000	-	-	-	200,000
Fire services	50,000	-	-	-	50,000
Parks operation/capital	-	-	-	170,656	170,656
Road improvements	-	-	-	16	16
Capital projects	-	-	7,335,857	-	7,335,857
Unassigned	6,823,140	-	-	-	6,823,140
<b>Total fund balances</b>	<b>9,043,737</b>	<b>1,995,021</b>	<b>7,335,857</b>	<b>535,526</b>	<b>18,910,141</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,482,819</b>	<b>\$ 1,995,524</b>	<b>\$ 7,350,952</b>	<b>\$ 563,335</b>	<b>\$ 19,392,630</b>

City of Inverness, Florida  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of  
Net Position**  
September 30, 2020

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**Total Fund Balance, Governmental Funds** \$ 18,910,141

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 38,231,301

Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting. 1,196,831

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	\$ (271,660)	
Net pension liability	(3,837,579)	
Other postemployment benefits	(49,011)	
Accrued interest payable	(187,917)	
Bonds payable	(12,410,000)	
Premium on bonds payable	(352,470)	(17,108,637)

**Net Position of Governmental Activities in the Statement of Net Position** \$ 41,229,636

City of Inverness, Florida  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
Year Ended September 30, 2020

	General Fund	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Community Redevelopment Fund	Capital Projects		
<b>Revenues:</b>					
Taxes and special assessments	\$ 5,195,269	\$ 1,213,211	\$ -	\$ -	\$ 6,408,480
Licenses and permits	427,015	-	-	-	427,015
Intergovernmental	1,166,955	477,606	150,788	309,194	2,104,543
Impact fees	-	-	-	207,949	207,949
Charges for services	1,081,914	-	-	32,256	1,114,170
Fees and fines	52,613	-	-	-	52,613
Investment earnings	85,359	63,656	70,385	4,816	224,216
Miscellaneous	189,596	-	-	2,022	191,618
<b>Total revenues</b>	<b>8,198,721</b>	<b>1,754,473</b>	<b>221,173</b>	<b>556,237</b>	<b>10,730,604</b>
<b>Expenditures:</b>					
Current:					
General government	1,920,053	-	-	-	1,920,053
Community development services	398,371	3,448,961	15,962	-	3,863,294
Public safety	1,286,072	-	-	-	1,286,072
Highways and streets	701,178	-	-	-	701,178
Physical environment	1,140,574	-	-	-	1,140,574
Culture and recreation	833,575	-	-	543,149	1,376,724
Debt Service:					
Interest	-	459,700	-	-	459,700
Principal	-	290,000	-	-	290,000
Capital Outlay	-	-	872,983	-	872,983
<b>Total expenditures</b>	<b>6,279,823</b>	<b>4,198,661</b>	<b>888,945</b>	<b>543,149</b>	<b>11,910,578</b>
<b>Excess of revenues over expenditures</b>	<b>1,918,898</b>	<b>(2,444,188)</b>	<b>(667,772)</b>	<b>13,088</b>	<b>(1,179,974)</b>
<b>Other Financing Uses:</b>					
Transfers in	790,000	-	2,118,250	70,786	2,979,036
Transfers out	(2,160,036)	(211,500)	-	(29,000)	(2,400,536)
<b>Total other financing uses</b>	<b>(1,370,036)</b>	<b>(211,500)</b>	<b>2,118,250</b>	<b>41,786</b>	<b>578,500</b>
<b>Net change in fund balances</b>	<b>548,862</b>	<b>(2,655,688)</b>	<b>1,450,478</b>	<b>54,874</b>	<b>(601,474)</b>
Fund balances, beginning	8,494,875	4,650,709	5,885,379	480,652	19,511,615
<b>Fund balances, ending</b>	<b>\$ 9,043,737</b>	<b>\$ 1,995,021</b>	<b>\$ 7,335,857</b>	<b>\$ 535,526</b>	<b>\$ 18,910,141</b>

City of Inverness, Florida  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**  
Year Ended September 30, 2020

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<b>Net Change in Fund Balances - total governmental funds:</b>		<b>\$ (601,474)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	4,139,503	
Less: current year depreciation	<u>\$ (1,190,601)</u>	2,948,902
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets		(4,558)
Cash pension contributions reported in the funds were more than the calculated pension expense in the Statement of Activities, and therefore increased net position.		(511,261)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.		290,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.		
Change in accrued interest	3,625	
Amortization of bond premium	14,763	
Change in long-term compensated absences	57,256	
Change in other post employment benefits	<u>\$ (405)</u>	<u>75,239</u>
<b>Change in net position of governmental activities</b>		<b><u><u>\$ 2,196,848</u></u></b>

City of Inverness, Florida  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 5,057,062	\$ 5,057,062	\$ 5,195,269	\$ 138,207
Licenses and permits	416,500	416,500	427,015	10,515
Intergovernmental	1,873,031	1,873,031	1,166,955	(706,076)
Charges for services	1,188,083	1,188,083	1,081,914	(106,169)
Fees and fines	25,800	25,800	52,613	26,813
Investment earnings	40,100	40,100	85,359	45,259
Miscellaneous	311,850	311,850	189,596	(122,254)
<b>Total revenues</b>	<b>8,912,426</b>	<b>8,912,426</b>	<b>8,198,721</b>	<b>(713,705)</b>
<b>Expenditures:</b>				
Current:				
General government	2,437,779	2,444,862	1,920,053	524,809
Community development services	440,668	472,668	398,371	74,297
Public safety	1,324,223	1,406,224	1,286,072	120,152
Highways and streets	1,013,104	1,013,104	701,178	311,926
Physical environment	1,191,000	1,191,000	1,140,574	50,426
Culture and recreation	1,381,615	1,276,615	833,575	443,040
<b>Total expenditures</b>	<b>7,788,389</b>	<b>7,804,473</b>	<b>6,279,823</b>	<b>1,524,650</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,124,037</b>	<b>1,107,953</b>	<b>1,918,898</b>	<b>810,945</b>
<b>Other Financing Sources:</b>				
Transfers In	1,390,043	1,969,499	790,000	(1,179,499)
Transfers Out	(2,160,036)	(2,160,036)	(2,160,036)	-
<b>Total other financing sources</b>	<b>(769,993)</b>	<b>(190,537)</b>	<b>(1,370,036)</b>	<b>(1,179,499)</b>
<b>Net change in fund balances</b>	<b>354,044</b>	<b>917,416</b>	<b>548,862</b>	<b>(368,554)</b>
Fund balance, beginning	8,494,875	8,494,875	8,494,875	-
<b>Fund balance, ending</b>	<b>\$ 8,848,919</b>	<b>\$ 9,412,291</b>	<b>\$ 9,043,737</b>	<b>\$ (368,554)</b>



City of Inverness, Florida  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Community Redevelopment Fund**  
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 1,232,835	\$ 1,232,835	\$ 1,213,211	\$ (19,624)
Intergovernmental	-	700,000	477,606	(222,394)
Investment earnings	2,000	63,000	63,656	656
<b>Total revenues</b>	<b>1,234,835</b>	<b>1,995,835</b>	<b>1,754,473</b>	<b>(241,362)</b>
<b>Expenditures</b>				
Current:				
Community development services	305,000	4,263,711	3,448,961	814,750
Debt service:				
Principal	280,000	290,000	290,000	-
Interest	468,100	459,950	459,700	250
<b>Total expenditures</b>	<b>1,053,100</b>	<b>5,013,661</b>	<b>4,198,661</b>	<b>815,000</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>181,735</b>	<b>(3,017,826)</b>	<b>(2,444,188)</b>	<b>573,638</b>
<b>Other Financing Sources:</b>				
Transfers out	(211,500)	(211,500)	(211,500)	-
<b>Total other financing sources</b>	<b>(211,500)</b>	<b>(211,500)</b>	<b>(211,500)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(29,765)</b>	<b>(3,229,326)</b>	<b>(2,655,688)</b>	<b>573,638</b>
Fund balance, beginning	4,650,709	4,650,709	4,650,709	-
<b>Fund balance, ending</b>	<b>\$ 4,620,944</b>	<b>\$ 1,421,383</b>	<b>\$ 1,995,021</b>	<b>\$ 573,638</b>

City of Inverness, Florida  
**Statement of Net Position**  
**Proprietary Funds**  
September 30, 2020

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,795,895	\$ 18,236	\$ 2,814,131
Investments	4,577,634	682,642	5,260,276
Accounts receivable, net	497,620	-	497,620
Accrued interest receivable	2,125	-	2,125
Other receivables	54,286	-	54,286
Inventories	-	98,112	98,112
Prepays	20,791	-	20,791
<b>Total current assets</b>	<b>7,948,351</b>	<b>798,990</b>	<b>8,747,341</b>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	346,083	-	346,083
<b>Total restricted assets</b>	<b>346,083</b>	<b>-</b>	<b>346,083</b>
<b>Capital assets:</b>			
Land, buildings and equipment	40,958,651	44,763	41,003,414
Construction in progress	54,577	-	54,577
Less accumulated depreciation	(17,126,560)	(44,018)	(17,170,578)
<b>Total capital assets (net of depreciation)</b>	<b>23,886,668</b>	<b>745</b>	<b>23,887,413</b>
<b>Total noncurrent assets</b>	<b>24,232,751</b>	<b>745</b>	<b>24,233,496</b>
<b>Total assets</b>	<b>32,181,102</b>	<b>799,735</b>	<b>32,980,837</b>
<b>Deferred outflows of resources:</b>			
Deferred outflows-pension earnings	71,791	-	71,791
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	175,573	7,227	182,800
Accrued interest payable	22,299	-	22,299
Customer deposits payable	325,351	149	325,500
Compensated absences	13,994	-	13,994
Capital lease obligation	172,825	-	172,825
Notes payable	145,265	-	145,265
<b>Total current liabilities</b>	<b>855,307</b>	<b>7,376</b>	<b>862,683</b>
<b>Noncurrent Liabilities:</b>			
Capital lease payable	915,213	-	915,213
Net pension liability	209,469	-	209,469
Notes payable	2,629,212	-	2,629,212
<b>Total noncurrent liabilities</b>	<b>3,753,894</b>	<b>-</b>	<b>3,753,894</b>
<b>Total liabilities</b>	<b>4,609,201</b>	<b>7,376</b>	<b>4,616,577</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows-pension earnings	6,463	-	6,463
<b>Total deferred inflows of resources</b>	<b>6,463</b>	<b>-</b>	<b>6,463</b>
<b>Net Position:</b>			
Net investment in capital assets	20,024,153	745	20,024,898
Restricted for perpetual care	-	331,821	331,821
Unrestricted	7,613,076	459,793	8,072,869
<b>Total net position</b>	<b>\$ 27,637,229</b>	<b>\$ 792,359</b>	<b>\$ 28,429,588</b>

City of Inverness, Florida  
**Statement of Revenues, Expenses and Changes in Fund Net Position -**  
**Proprietary Funds**  
Year Ended September 30, 2020

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 4,414,231	\$ 56,210	\$ 4,470,441
Miscellaneous	60,756	109	60,865
<b>Total operating revenues</b>	<b>4,474,987</b>	<b>56,319</b>	<b>4,531,306</b>
<b>Operating expenses:</b>			
Salaries and benefits	280,649	15,373	296,022
Contractual services	1,284,479	86,040	1,370,519
Utilities	187,314	1,145	188,459
Materials and supplies	95,105	-	95,105
Other operating expenses	144,571	2,323	146,894
Depreciation	952,396	649	953,045
<b>Total operating expenses</b>	<b>2,944,514</b>	<b>105,530</b>	<b>3,050,044</b>
<b>Operating income (loss)</b>	<b>1,530,473</b>	<b>(49,211)</b>	<b>1,481,262</b>
<b>Nonoperating Revenue (Expenses):</b>			
Investment income	56,468	7,737	64,205
Loss on disposal of property and equipment	(3,838)	-	(3,838)
Interest expense	(98,031)	-	(98,031)
<b>Total nonoperating revenue (expenses)</b>	<b>(45,401)</b>	<b>7,737</b>	<b>(37,664)</b>
Income before transfers	1,485,072	(41,474)	1,443,598
Transfers out	(575,000)	(3,500)	(578,500)
<b>Change in net position</b>	<b>910,072</b>	<b>(44,974)</b>	<b>865,098</b>
Total Net Position, beginning	26,727,157	837,333	27,564,490
<b>Total Net Position, ending</b>	<b>\$ 27,637,229</b>	<b>\$ 792,359</b>	<b>\$ 28,429,588</b>

City of Inverness, Florida  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended September 30, 2020

	<u>Water and Sewer Utility</u>	<u>Cemetery</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 4,471,897	\$ 57,139	\$ 4,529,036
Payments to suppliers	(1,711,963)	(90,016)	(1,801,979)
Payments to employees	(234,413)	(15,620)	(250,033)
<b>Net cash provided (used) by operating activities</b>	<u>2,525,521</u>	<u>(48,497)</u>	<u>2,477,024</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers out	(575,000)	(3,500)	(578,500)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(575,000)</u>	<u>(3,500)</u>	<u>(578,500)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(1,009,891)	-	(1,009,891)
Proceeds from sales of capital assets	9,714	-	9,714
Principal paid on long-term debt	(304,208)	-	(304,208)
Interest paid on long-term debt	(100,041)	-	(100,041)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,404,426)</u>	<u>-</u>	<u>(1,404,426)</u>
<b>Cash Flows from Investing Activities:</b>			
Sales of investments	(106,897)	(8,463)	(115,360)
Investment income	111,726	7,737	119,463
<b>Net cash provided(used) by investing activities</b>	<u>4,829</u>	<u>(726)</u>	<u>4,103</u>
<b>Net Increase in Cash and Cash Equivalents</b>	550,924	(52,723)	498,201
<b>Cash and Cash Equivalents, beginning</b>	<u>2,591,054</u>	<u>70,959</u>	<u>2,662,013</u>
<b>Cash and Cash Equivalent, ending</b>	<u>\$ 3,141,978</u>	<u>\$ 18,236</u>	<u>\$ 3,160,214</u>
<b>Classified As:</b>			
Cash and cash equivalents	\$ 2,795,895	\$ 18,236	\$ 2,814,131
Restricted cash and cash equivalents	346,083	-	346,083
<b>Total</b>	<u>\$ 3,141,978</u>	<u>\$ 18,236</u>	<u>\$ 3,160,214</u>

	<u>Water and Sewer Utility</u>	<u>Cemetery</u>	<u>Total</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used)</b>			
<b>By Operating Activities</b>			
Operating income (loss)	\$ 1,530,473	\$ (49,211)	\$ 1,481,262
<b>Adjustments Not Affecting Cash:</b>			
Depreciation and amortization	952,396	649	953,045
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in accounts receivable	(17,089)	820	(16,269)
(Increase) Decrease in prepaids	(20,791)	-	(20,791)
Increase (Decrease) in accounts payable	20,297	(508)	19,789
Increase (Decrease) in compensated absences	7,918	(247)	7,671
Increase (Decrease) in deferred inflows	(7,651)	-	(7,651)
Increase (Decrease) in deferred outflows	(9,811)	-	(9,811)
Increase (Decrease) in net pension liability	55,780	-	55,780
Increase in customer deposits	13,999	-	13,999
Total adjustments	<u>995,048</u>	<u>714</u>	<u>995,762</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 2,525,521</u></u>	<u><u>\$ (48,497)</u></u>	<u><u>\$ 2,477,024</u></u>



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## NOTES TO FINANCIAL STATEMENTS

## NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

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

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

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

The City of Inverness created the Downtown Redevelopment Agency (CRA) by City Resolution No. 90.07. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Then in 2014, the City expanded the CRA in accordance with Chapter 163 of the Florida Statutes designating the expanded area, and passed Ordinance 2014-703 adopting the CRA plan amendment to extend the boundaries and extend the implementation period for 30 years following the amendment of the existing plan. The incremental annual increase in tax over the base years (1990 and 2014) will be used to fund projects designed to enhance and improve the described area. The CRA is governed by a board of seven appointed by the City Council. The CRA Fund is presented as a blended component unit and is included in the City's fund financials.

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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



**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

The government reports the following funds:

**Major Governmental Funds**

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

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

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

**Nonmajor Governmental Funds**

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

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Major Proprietary Funds**

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

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

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

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

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

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

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

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

*Deposits and Investments*

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

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

*Receivables and Payables*

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

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

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

*Inventories and Prepaid Items*

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

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

*Restricted assets*

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

*Capital assets*

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

*Compensated absences*

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

*Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category for the year ended September 30, 2020, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category for the year ended September 30, 2020, deferred inflows of pension earnings.

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Net position flow assumptions*

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

*Fund balance flow assumptions*

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

*Fund balance policies*

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

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

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

**New GASB Statements Implemented**

In fiscal year 2020, the City implemented Government Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement eliminates the requirement to capitalize interest on enterprise fund construction projects. The City also implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of provisions in certain other statements. There was no effect on beginning balances of the City for the implementation of either statement.

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

**NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

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

**NOTE 4 DEPOSITS AND INVESTMENTS**

**Deposits**

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

**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

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

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

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

Investments made by the City at September 30, 2020 are summarized below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
Florida Prime	\$ 42,174	AAAm	48 days
Florida Safe Money Market	11,687,560	AAAm	N/A
0-2 Year High Quality Bond	70,257	AAAf/S1	0.70 years
Certificate of Deposit	5,837,346	Not Rated	1.57 years
	<u>\$ 17,637,337</u>		

**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

*Fair Value*

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

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

The City has the following recurring fair value measurements as of September 30, 2020:

Investments Valued by Fair Value Level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
0-2 Year High Quality Bond	\$ 70,257	\$ -	\$ 70,257
	<u>\$ 70,257</u>	<u>\$ -</u>	<u>\$ 70,257</u>

*Credit Risk*

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

*Custodial Credit Risk*

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2020, all of the City's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. At September 30, 2020, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.



**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

*Concentration of Credit Risk*

The policy has no limitations on portfolio composition.

*Interest Rate Risk*

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

**NOTE 5 RECEIVABLES**

Receivables as of September 30, 2020 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects	Other Governmental Funds	Water and Sewer Utility Fund	Total
Receivables:					
Accounts	\$ 351,619	\$ 16,359	\$ 337	\$ 577,193	\$ 945,508
Less allowance for uncollectible accounts	-	-	-	(79,573)	(79,573)
	<u>\$ 351,619</u>	<u>\$ 16,359</u>	<u>\$ 337</u>	<u>\$ 497,620</u>	<u>\$ 865,935</u>

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,714,757	\$ -	\$ -	\$ 3,714,757
Construction in progress	10,651,025	3,637,856	(13,861,364)	427,517
<b>Total capital assets, not being depreciated</b>	<u>14,365,782</u>	<u>3,637,856</u>	<u>(13,861,364)</u>	<u>4,142,274</u>
Capital assets, being depreciated:				
Buildings	10,904,851	4,771,661	-	15,676,512
Improvements	17,314,587	8,679,556	-	25,994,143
Machinery and equipment	2,967,837	889,236	(41,318)	3,815,755
Intangibles	643,971	18,000	-	661,971
<b>Total capital assets, being depreciated</b>	<u>31,831,246</u>	<u>14,358,453</u>	<u>(41,318)</u>	<u>46,148,381</u>
Less accumulated depreciation for:				
Buildings	(2,883,747)	(280,323)	-	(3,164,070)
Improvements	(5,519,791)	(624,496)	-	(6,144,287)
Machinery and equipment	(1,979,541)	(231,458)	41,318	(2,169,681)
Intangibles	(526,992)	(54,324)	-	(581,316)
<b>Total accumulated depreciation</b>	<u>(10,910,071)</u>	<u>(1,190,601)</u>	<u>41,318</u>	<u>(12,059,354)</u>
<b>Total capital assets, being depreciated, net</b>	<u>20,921,175</u>	<u>13,167,852</u>	<u>-</u>	<u>34,089,027</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 35,286,957</u>	<u>\$ 16,805,708</u>	<u>\$ (13,861,364)</u>	<u>\$ 38,231,301</u>

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 651,855	\$ -	\$ -	\$ 651,855
Construction in progress	113,298	44,251	(102,972)	54,577
<b>Total capital assets, not being depreciated</b>	<b>765,153</b>	<b>44,251</b>	<b>(102,972)</b>	<b>706,432</b>
Capital assets, being depreciated:				
Buildings	17,669,190	-	-	17,669,190
Improvements	14,125,241	798,841	-	14,924,082
Machinery and equipment	7,606,932	269,768	(118,413)	7,758,287
<b>Total capital assets, being depreciated</b>	<b>39,401,363</b>	<b>1,068,609</b>	<b>(118,413)</b>	<b>40,351,559</b>
Less accumulated depreciation for:				
Buildings	(3,780,424)	(356,231)	-	(4,136,655)
Improvements	(5,932,210)	(438,634)	-	(6,370,844)
Machinery and equipment	(6,609,763)	(158,180)	104,864	(6,663,079)
<b>Total accumulated depreciation</b>	<b>(16,322,397)</b>	<b>(953,045)</b>	<b>104,864</b>	<b>(17,170,578)</b>
<b>Total capital assets, being depreciated, net</b>	<b>23,078,966</b>	<b>115,564</b>	<b>(13,549)</b>	<b>23,180,981</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 23,844,119</b>	<b>\$ 159,815</b>	<b>\$ (116,521)</b>	<b>\$ 23,887,413</b>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 643,115
Public safety	28,441
Development services	56,073
Highways and streets	220,464
Culture and recreation	242,508
<b>Total depreciation expense, governmental activities</b>	<b>\$ 1,190,601</b>
<b>Business-type Activities:</b>	
Water and sewer	\$ 952,396
Cemetery	649
<b>Total depreciation expense, business-type activities</b>	<b>\$ 953,045</b>

**NOTE 7 LEASES**

**Capital Leases**

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>Assets</b>		
Improvements	\$ -	\$ 2,228,626
Less: Accumulated depreciation	-	(493,863)
<b>Total</b>	<u>\$ -</u>	<u>\$ 1,734,763</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020 were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Year Ending September 30</u>		
2021	\$ -	\$ 202,000
2022	-	207,500
2023	-	213,500
2024	-	220,000
2025	-	226,000
2026	-	114,500
<b>Total Minimum Lease Payments</b>	-	1,183,500
Less: Amount representing interest	-	(95,462)
<b>Capital Lease Payable</b>	<u>\$ -</u>	<u>\$ 1,088,038</u>

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

<u>Year Ending September 30</u>	
2021	\$ 55,551
2022	6,912
2023	2,304
	<u>\$ 64,767</u>

**NOTE 7 LEASES (CONTINUED)**

Total income under non-cancelable operating leases for the year ended September 30, 2020 was \$136,076. Following is a schedule of approximate cost or carrying value and accumulated depreciation of capital assets under operating leases:

Buildings	\$ 1,925,718
Accumulated depreciation	<u>(535,393)</u>
<b>Capital Assets Held for Lease, net</b>	<b><u>\$ 1,390,325</u></b>

**NOTE 8 LONG-TERM DEBT**

**Notes Payable- Direct Borrowing**

In 2005, the City executed a State Revolving Loan agreement for various water and wastewater system upgrades. The amended agreement provides total funding of \$16,052,561, including grant funding of \$10,000,000 that was funded by the state through a Small Community Wastewater Grant. The loan period is 26 years with an interest rate of 2.3%. The loan is secured by the gross revenues from the water and sewer utility net of operation and maintenance costs. Total principal and interest remaining was \$3,331,968. For the fiscal year, principal and interest paid was \$208,248 and total pledged revenue was \$2,539,337.

In the event of default on the State Revolving Fund Loan, the Florida Department of Environmental Protection may cause to establish rates and collect fees, require the City to account for all moneys received and used, appoint a receiver to manager the water and sewer systems, intercept delinquent amounts plus a penalty due to the City under State Revenue Sharing, recover all amounts due including costs of collection and attorney fees, and accelerate the repayment schedule or increase the interest rate by a factor of up to 1.667.

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

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 145,265	\$ 62,983
2022	-	-	148,626	59,622
2023	-	-	152,064	56,184
2024	-	-	155,581	52,667
2025	-	-	159,180	49,068
2026-2030	-	-	852,868	188,372
2031-2035	-	-	956,183	85,057
2036-2037	-	-	204,710	3,538
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,774,477</u>	<u>\$ 557,491</u>

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

**Bonds Payable Public Offering**

In 2017, the City issued Tax Increment Revenue Refunding Bonds, Series 2017. These Bonds were issued to fund various City-wide projects and upgrades managed by the Inverness Community Development District. The agreement provided total funding of \$12,980,000. The loan period is 27 years with an interest rate of 4%. The bonds are secured by Ad Valorem revenues from the Community Development District and supplemented by general fund ad valorem revenues. Total principal and interest remaining was \$18,694,138. For the fiscal year, interest paid was \$749,700 and total pledged revenue was \$1,276,867.

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

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 295,000	\$ 451,000	\$ -	\$ -
2022	310,000	439,200	-	-
2023	320,000	426,800	-	-
2024	335,000	410,800	-	-
2025	355,000	394,050	-	-
2026-2030	2,050,000	1,686,500	-	-
2031-2035	2,475,000	1,270,000	-	-
2036-2040	2,880,000	857,388	-	-
2041-2045	3,390,000	348,400	-	-
	<u>\$ 12,410,000</u>	<u>\$ 6,284,138</u>	<u>\$ -</u>	<u>\$ -</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
ICRA refunding revenue bonds	\$ 12,700,000	\$ -	\$ (290,000)	\$ 12,410,000	\$ 295,000
Bond premium	367,233	-	(14,763)	352,470	-
Compensated absences	328,916	-	(57,256)	271,660	27,166
Other post employment benefits	48,606	405	-	49,011	-
Net pension liability	3,092,664	744,915	-	3,837,579	-
<b>Governmental activity long-term liabilities</b>	<u>\$ 16,537,419</u>	<u>\$ 745,320</u>	<u>\$ (362,019)</u>	<u>\$ 16,920,720</u>	<u>\$ 322,166</u>
<b>Business-type Activities:</b>					
SRF note payable	\$ 2,916,459	\$ -	\$ (141,982)	\$ 2,774,477	\$ 145,265
Capital lease	1,250,264	-	(162,226)	1,088,038	172,825
Compensated absences	6,323	8,303	(632)	13,994	13,994
Net pension liability	153,689	55,780	-	209,469	-
<b>Business-type activity long-term liabilities</b>	<u>\$ 4,326,735</u>	<u>\$ 64,083</u>	<u>\$ (304,840)</u>	<u>\$ 4,085,978</u>	<u>\$ 332,084</u>

**NOTE 9 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the year ended September 30, 2020 consisted of the following:

	Transfers In			Total
	General Fund	Capital Projects Fund	Other Governmental Funds	
<b>Transfer Out:</b>				
General fund	\$ -	\$ 2,089,250	\$ 70,786	\$ 2,160,036
Community redevelopment fund	211,500	-	-	211,500
Water and sewer utility fund	575,000	-	-	575,000
Cemetery fund	3,500	-	-	3,500
Other governmental funds	-	29,000	-	29,000
<b>Total</b>	<u>\$ 790,000</u>	<u>\$ 2,118,250</u>	<u>\$ 70,786</u>	<u>\$ 2,979,036</u>

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

**NOTE 10 RETIREMENT PLANS**

**Florida Retirement System**

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

All employees, other than those described above participate in FRS. Employees who retire at or after age 62 with 10 years of credited service, or 30 years of credited service regardless of age, are entitled to a retirement benefit equal to 1.6% to 1.68% (dependent upon age and years of service) of their average final compensation. The average final compensation is the average of the five highest fiscal years of earnings. Benefits are adjusted annually for a cost of living increase in the Consumer Price Index up to a maximum of 3%. At September 30, 2020, 45 City employees were members of the FRS Retirement plans.

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

**NOTE 10            RETIREMENT PLANS (CONTINUED)**

*General Information*

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

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

[www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

**Pension Plan**

*Plan Description*

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

*Benefits Provided*

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

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



**NOTE 10 RETIREMENT PLANS (CONTINUED)**

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

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

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

*Contributions*

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively, were as follows: Regular-8.47% and 10%; Special Risk Administrative Support-38.59% and 35.84%; Special Risk-25.48% and 24.45%; Senior Management Service-25.41% and 27.29%; Elected Officers-48.82% and 49.18%; and DROP participants-14.60% and 16.98%.

These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$265,171 for the fiscal year ended September 30, 2020.

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

At September 30, 2020, the City reported a liability of \$3,351,466 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The City's proportionate share of the net pension liability was based on the City's 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the City's proportionate share was .0077 percent, which was an increase (decrease) of .0002 percent from its proportionate share measured as of June 30, 2019.

**NOTE 10 RETIREMENT PLANS (CONTINUED)**

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$774,559. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 128,267	\$ -
Change of Assumptions	606,722	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	199,550	-
Changes in Proportion and Differences Between City Pension Plan Contributions and Proportionate Share of Contributions	189,959	51,959
City Pension Plan Contributions Subsequent to the Measurement Date	66,541	-
<b>Total</b>	<u>\$ 1,191,039</u>	<u>\$ 51,959</u>

The deferred outflows of resources related to the Pension Plan, totaling \$66,541 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2021	\$ 247,632
2022	346,142
2023	271,759
2024	162,037
2025	44,969
Thereafter	-

**NOTE 10 RETIREMENT PLANS (CONTINUED)**

*Actuarial Assumptions*

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP 2018.

The actuarial assumptions used in the June 30, 2020, 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 Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	2.20%	2.20%	1.20%
Fixed income	19.00%	3.00%	2.90%	3.50%
Global equities	54.20%	8.00%	6.70%	17.10%
Real estate	10.30%	6.40%	5.80%	11.70%
Private equity	11.10%	10.80%	8.10%	25.70%
Strategic investments	4.40%	5.50%	5.30%	6.90%
<b>Total</b>	<b>100.00%</b>			
Assumed inflation - Mean			2.40%	1.70%

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

*Discount Rate*

The discount rate used to measure the total pension liability was 6.80%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**NOTE 10 RETIREMENT PLANS (CONTINUED)**

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80%, 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 (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's Proportionate Share of the Net Pension Liability	\$ 5,351,728	\$ 3,351,466	\$ 1,680,839

*Pension Plan Fiduciary Net Position*

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

*Payables to the Pension Plan*

At September 30, 2020, the City reported a payable in the amount of \$30,764 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2020.

**HIS Plan**

*Plan Description*

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

*Benefits Provided*

For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions*

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution for the period October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020 was 1.66% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$32,583 for the fiscal year ended September 30, 2020.

**NOTE 10 RETIREMENT PLANS (CONTINUED)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*  
At September 30, 2020, the City reported a liability of \$695,582 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The City's proportionate share of the net pension liability was based on the City's 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the City's proportionate share was .0057 percent, which was an increase (decrease) of .00009 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$72,864. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 28,454	\$ 537
Change of Assumptions	74,795	40,445
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	555	-
Changes in Proportion and Differences Between City HIS Plan Contributions and Proportionate Share of Contributions	84,761	31,939
City HIS Plan Contributions Subsequent to the Measurement Date	7,435	-
Total	\$ 196,000	\$ 72,921

The deferred outflows of resources related to the HIS Plan, totaling \$7,435 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
September 30:	
2021	\$ 35,043
2022	28,413
2023	14,733
2024	11,117
2025	16,654
Thereafter	9,684

**NOTE 10 RETIREMENT PLANS (CONTINUED)**

*Actuarial Assumptions*

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	2.21 % net of pension plan investment expense

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

*Discount Rate*

The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
City's Proportionate Share of the Net Pension Liability	\$ 804,062	\$ 695,582	\$ 606,792

*Pension Plan Fiduciary Net Position*

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

**Investment Plan**

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

**NOTE 10                    RETIREMENT PLANS (CONTINUED)**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2018-19 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$70,777 for the fiscal year ended September 30, 2020.

**General Employees Defined Contribution Pension Plan**

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

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

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

At September 30, 2020 there were no plan members or City contributions to the plan.

**NOTE 10 RETIREMENT PLANS (CONTINUED)**

**Deferred Compensation Plan**

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

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

**NOTE 11 OTHER POST-EMPLOYMENT BENEFITS**

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

*Employees Covered by Benefit Term* - At October 1, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	48
<b>Total</b>	<b>48</b>

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

**Summary of Actuarial Methods & Assumptions**

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



**NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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

The City qualifies to use the alternative measurement method, and has elected to do so. The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2019 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.50%
Discount rate	2.14%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	55

For all lives, mortality rates were PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019.

*Discount Rate* - Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.14%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Index as published by S&P Dow Jones Indices. The S&P Municipal Bond 20 Year High Grade Rate Index consists of bonds in the S&P Municipal bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

For the year ended September 30, 2020, the City will recognize OPEB Expense of \$5,170. Below are the details regarding the Total OPEB liability for the measurement period from October 1, 2019 to September 30, 2020.

	Increases and (Decreases) in Total OPEB Liability
<b>Balances at September 30, 2019</b>	\$ 48,606
<b>Changes for a Year:</b>	
Service cost	8,164
Interest	1,974
Differences between expected and actual experience	(1,330)
Changes of assumptions	(7,838)
Contributions - employer	-
Benefit payments	(565)
<b>Net Changes</b>	<b>405</b>
<b>Balances at September 30, 2020</b>	<b>\$ 49,011</b>

Changes of assumptions reflect a change in the discount rate from 3.58% for the fiscal year ending September 30, 2019 to 2.14% for fiscal year ending September 30, 2020.

There are no deferred inflows or outflows for the OPEB Plan, since the City uses the alternative measurement method.

**NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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

	<u>1% Decrease</u> 1.14%	<u>Current</u> <u>Discount Rate</u> 2.14%	<u>1% Increase</u> 3.14%
Total OPEB Liability (Asset)	\$ 56,011	\$ 49,011	\$ 43,256

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

	<u>1% Decrease</u> 3.00% - 6.50%	<u>Healthcare Cost</u> <u>Trend Rates</u> 4.00% - 7.50%	<u>1% Increase</u> 5.00% - 8.50%
Total OPEB Liability (Asset)	\$ 42,449	\$ 49,011	\$ 57,132

**NOTE 12 RISK MANAGEMENT**

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

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

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**Grants**

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

REQUIRED SUPPLEMENTARY INFORMATION

**Retiree Continuation Insurance Plan**

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

Last Ten Fiscal Years\*

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 8,164	\$ 5,874	\$ 6,137
Interest	1,974	1,927	1,689
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,330)	-	-
Changes of assumptions	(7,838)	3,335	(2,704)
Benefit payments	<u>(565)</u>	<u>(5,416)</u>	<u>(4,992)</u>
<b>Net change in total OPEB liability</b>	<u>405</u>	<u>5,720</u>	<u>130</u>
<b>Total OPEB liability, beginning</b>	<u>48,606</u>	<u>42,886</u>	<u>42,756</u>
<b>Total OPEB liability, ending</b>	<u><u>\$ 49,011</u></u>	<u><u>\$ 48,606</u></u>	<u><u>\$ 42,886</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 1,848,479	\$ 1,589,353	\$ 1,550,588
Total OPEB liability as a percentage of covered payroll	2.65%	3.06%	2.77%

**Notes to Schedule:**

*Covered payroll.* Covered payroll is projected to the measurement date based on actual covered payroll as of the valuation date using applicable salary increase assumptions.

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

Fiscal Year Ending September 30, 2020	2.14%
Fiscal Year Ending September 30, 2019	3.58%
Fiscal Year Ending September 30, 2018	4.18%

\*Prior year data not available.

City of Inverness, Florida  
 Schedule of the City's Proportionate Share of Net Pension Liability- Last 10 Fiscal Years  
 September 30, 2020

<b>Florida Retirement System (FRS)</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.007732700%	0.007546508%	0.007301884%	0.007850393%	0.006162172%	0.005609830%
City's proportionate share of the net pension liability	\$ 3,351,466	\$ 2,598,912	\$ 2,199,365	\$ 2,322,094	\$ 1,555,953	\$ 724,585
City's covered payroll	\$ 1,962,133	\$ 1,935,226	\$ 1,709,056	\$ 1,805,362	\$ 1,615,922	\$ 1,455,498
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.81%	134.30%	128.69%	128.62%	96.29%	49.78%
plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
<b>Health Insurance Subsidy (HIS)</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.005696900%	0.005786409%	0.005235197%	0.005627769%	0.004954573%	0.004605352%
City's proportionate share of the net pension liability	\$ 695,582	\$ 647,441	\$ 554,099	\$ 601,747	\$ 577,435	\$ 469,673
City's covered payroll	\$ 1,962,133	\$ 1,935,226	\$ 1,709,056	\$ 1,805,362	\$ 1,615,922	\$ 1,455,498
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.45%	33.46%	32.42%	33.33%	35.73%	32.27%
plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

\* Information for prior years not available.

City of Inverness, Florida  
 Schedule of City Contributions - Last 10 Fiscal Years  
 September 30, 2020

<b>Florida Retirement System (FRS)</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 265,171	\$ 239,744	\$ 213,550	\$ 203,914	\$ 161,581	\$ 138,199
Contributions in relation to the contractually required contribution	<u>(265,171)</u>	<u>(239,744)</u>	<u>(213,550)</u>	<u>(203,914)</u>	<u>(161,581)</u>	<u>(138,199)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,947,377	\$ 1,987,097	\$ 1,748,067	\$ 1,747,095	\$ 1,615,922	\$ 1,455,498
Contributions as a percentage of covered- payroll	13.62%	12.07%	12.22%	11.67%	10.00%	9.49%
<b>Health Insurance Subsidy (HIS)</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 32,584	\$ 32,992	\$ 29,038	\$ 28,851	\$ 26,098	\$ 19,682
Contributions in relation to the contractually required contribution	<u>(32,584)</u>	<u>(32,992)</u>	<u>(29,038)</u>	<u>(28,851)</u>	<u>(26,098)</u>	<u>(19,682)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,947,377	\$ 1,987,097	\$ 1,748,067	\$ 1,747,095	\$ 1,615,922	\$ 1,455,498
Contributions as a percentage of covered- payroll	1.67%	1.66%	1.66%	1.65%	1.62%	1.35%

\* Information for prior years not available.

COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

## Major Governmental Fund

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



City of Inverness, Florida  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Capital Projects Fund  
 Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 150,788	\$ 150,788
Investment earnings	-	-	70,385	70,385
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>221,173</b>	<b>221,173</b>
<b>Expenditures:</b>				
Current:				
Community development services	-	15,962	15,962	-
Capital outlay	2,118,250	3,666,397	872,983	2,793,414
<b>Total expenditures</b>	<b>2,118,250</b>	<b>3,682,359</b>	<b>888,945</b>	<b>2,793,414</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,118,250)</b>	<b>(3,682,359)</b>	<b>(667,772)</b>	<b>3,014,587</b>
<b>Other Financing Sources:</b>				
Transfers in	2,118,250	2,118,250	2,118,250	-
Transfers out	-	(579,456)	-	579,456
<b>Total other financing sources</b>	<b>2,118,250</b>	<b>1,538,794</b>	<b>2,118,250</b>	<b>579,456</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(2,143,565)</b>	<b>1,450,478</b>	<b>3,594,043</b>
Fund balance, beginning	5,885,379	5,885,379	5,885,379	-
<b>Fund balance, ending</b>	<b>\$ 5,885,379</b>	<b>\$ 3,741,814</b>	<b>\$ 7,335,857</b>	<b>\$ 3,594,043</b>

## Nonmajor Governmental Funds

### Special Revenue Funds

#### Whispering Pines Park

Accounts for the operations of the Whispering Pines Park, financed principally by contributions from the School Board of Citrus County and transfers from the general fund.

#### Road Improvement

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

#### Impact Fee

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

City of Inverness, Florida  
**Combining Balance Sheet**  
**Other Governmental Funds**  
September 30, 2020

	Special Revenue			Total Other Governmental Funds
	Whispering Pines Park	Road Improvement Fund	Impact Fee Fund	
<b>Assets:</b>				
Cash and cash equivalents	\$ 238	\$ 16	\$ 301,590	\$ 301,844
Accounts receivable, net	337	-	-	337
Investments	197,890	-	63,264	261,154
Prepaid costs	-	-	-	-
<b>Total assets</b>	<b>\$ 198,465</b>	<b>\$ 16</b>	<b>\$ 364,854</b>	<b>\$ 563,335</b>
<b>Liabilities:</b>				
Accounts payable	\$ 9,432	\$ -	\$ -	\$ 9,432
Deposits payable	10	-	-	10
Accrued liabilities	18,367	-	-	18,367
<b>Total liabilities</b>	<b>27,809</b>	<b>-</b>	<b>-</b>	<b>27,809</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted for capital improvements	-	-	364,854	364,854
Committed to:				
Road Improvements	-	16	-	16
Parks operation/capital	170,656	-	-	170,656
<b>Total fund balances</b>	<b>170,656</b>	<b>16</b>	<b>364,854</b>	<b>535,526</b>
<b>Total Liabilities and fund balances</b>	<b>\$ 198,465</b>	<b>\$ 16</b>	<b>\$ 364,854</b>	<b>\$ 563,335</b>

City of Inverness, Florida  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Other Governmental Funds  
 Year Ended September 30, 2020

	Special Revenue			Total Other Governmental Funds
	Whispering Pines Park	Road Improvement Fund	Impact Fee Fund	
<b>Revenues:</b>				
Intergovernmental	\$ 309,194	\$ -	\$ -	\$ 309,194
Impact fees	-	-	207,949	207,949
Charges for services	32,256	-	-	32,256
Investment earnings	4,128	-	688	4,816
Miscellaneous	2,022	-	-	2,022
<b>Total revenues</b>	<b>347,600</b>	<b>-</b>	<b>208,637</b>	<b>556,237</b>
<b>Expenditures:</b>				
Capital Outlay				
Culture and recreation	543,149	-	-	543,149
<b>Total expenditures</b>	<b>543,149</b>	<b>-</b>	<b>-</b>	<b>543,149</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(195,549)</b>	<b>-</b>	<b>208,637</b>	<b>13,088</b>
<b>Other Financing Uses:</b>				
Transfers in	70,786	-	-	70,786
Transfers out	(29,000)	-	-	(29,000)
<b>Total other financing uses</b>	<b>41,786</b>	<b>-</b>	<b>-</b>	<b>41,786</b>
<b>Net Change in Fund Balances</b>	<b>(153,763)</b>	<b>-</b>	<b>208,637</b>	<b>54,874</b>
Fund balances, beginning	324,419	16	156,217	480,652
<b>Fund balances, ending</b>	<b>\$ 170,656</b>	<b>\$ 16</b>	<b>\$ 364,854</b>	<b>\$ 535,526</b>

City of Inverness, Florida  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Whispering Pines Park Special Revenue Fund  
 Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 307,500	\$ 307,500	\$ 309,194	\$ 1,694
Charges for services	78,300	78,300	32,256	(46,044)
Investment earnings	1,850	1,850	4,128	2,278
Miscellaneous	1,800	1,800	2,022	222
<b>Total revenues</b>	<b>389,450</b>	<b>389,450</b>	<b>347,600</b>	<b>(41,850)</b>
<b>Expenditures:</b>				
Current:				
Culture and recreation	648,889	648,889	543,149	105,740
<b>Total expenditures</b>	<b>648,889</b>	<b>648,889</b>	<b>543,149</b>	<b>105,740</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(259,439)</b>	<b>(259,439)</b>	<b>(195,549)</b>	<b>63,890</b>
<b>Other Financing Sources:</b>				
Transfers in	70,786	70,786	70,786	-
Transfers out	(29,000)	(29,000)	(29,000)	-
<b>Total other financing sources</b>	<b>41,786</b>	<b>41,786</b>	<b>41,786</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(217,653)</b>	<b>(217,653)</b>	<b>(153,763)</b>	<b>63,890</b>
Fund balance, beginning	324,419	324,419	324,419	-
<b>Fund balance, ending</b>	<b>\$ 106,766</b>	<b>\$ 106,766</b>	<b>\$ 170,656</b>	<b>\$ 63,890</b>



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STATISTICAL SCHEDULES

## City of Inverness

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

Fiscal Year	Residential	Commercial	Industrial		Tangible		Total	Estimated	Factor of	Assessed Value
End	Property	Property	Property	Other Property	Personal	Taxable Value	Direct Tax	Actual Taxable	Taxable Value	as a Percentage
					Property		Rate	Value (1)	(1)	of Actual Value
2011	-	-	-	-	-	379,469,158	6.2158	-	-	-
2012	-	-	-	-	-	366,669,249	6.4923	-	-	-
2013	-	-	-	-	-	349,577,662	6.4955	-	-	-
2014	-	-	-	-	-	350,108,259	6.9949	-	-	-
2015	-	-	-	-	-	349,709,760	7.0729	-	-	-
2016	163,764,815	161,017,089	3,799,020	90,522,688	58,371,861	477,475,473	7.5729	615,851,685	1.289808	77.53%
2017	172,814,507	158,954,754	4,286,803	97,795,632	58,520,031	492,371,727	8.0729	622,053,577	1.263382	79.15%
2018	192,698,424	154,282,585	4,335,532	79,646,332	56,695,626	487,658,499	8.2729	661,434,142	1.356347	73.73%
2019	206,179,387	159,799,517	4,232,298	94,100,965	62,623,297	526,935,464	8.2729	698,117,300	1.324863	75.48%
2020	222,491,978	166,199,338	4,593,964	92,049,502	66,235,434	551,570,216	7.9730	689,461,115	1.249997	80.00%

Source: Avenu Insights & Analytics

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

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

(1.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a factor was extrapolated and applied to current assessed values.

( - ) Data Unavailable.



# City of Inverness

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

Category	2016	2017	2018	2019	2020
Residential	163,764,815	172,814,507	192,698,424	206,179,387	222,491,978
Commercial	161,017,089	158,954,754	154,282,585	159,799,517	166,199,338
Miscellaneous	88,899,951	95,485,114	77,365,183	90,603,187	88,960,119
Industrial	3,799,020	4,286,803	4,335,532	4,232,298	4,593,964
Agriculture	1,622,737	2,310,518	2,281,149	3,497,778	3,089,383
Taxable Value of Real Property	419,103,612	433,851,696	430,962,873	464,312,167	485,334,782
Tangible Personal Property	58,371,861	58,520,031	56,695,626	62,623,297	66,235,434
Total School Taxable Value	477,475,473	492,371,727	487,658,499	526,935,464	551,570,216

Source: Citrus County Assessor data, Avenu Insights & Analytics

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

# City of Inverness

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Fiscal Year	Citrus County						SWFWMD General	Total
	City of Inverness	Citrus County	School Board	Hospital Board	Mosquito Control			
2010	5.9810	-	-	-	-	-	-	
2011	6.2158	-	-	-	-	-	-	
2012	6.4923	-	-	-	-	-	-	
2013	6.4955	8.8999	7.3130	0.2450	0.3452	0.3818	23.6804	
2014	6.9949	8.8999	7.3040	1.2500	0.4478	0.3658	25.2624	
2015	7.0729	7.7887	7.1890	0.0000	0.4478	0.3488	15.6582	
2016	7.5729	7.6652	6.9250	0.0000	0.4478	0.3317	22.9426	
2017	8.0729	7.4407	6.5810	0.0000	0.4478	0.3131	22.8555	
2018	8.2729	7.3561	6.3380	0.0000	0.4478	0.2955	22.7103	
2019	8.2729	7.2032	6.1250	0.0000	0.4478	0.2801	22.3290	
2020	7.9730	7.2032	5.9300	0.0000	0.4478	0.2669	21.8209	

Source: Citrus County Tax Collector , Avenu Insights & Analytics

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

( - ) Data unavailable.

# City of Inverness

## Principal Property Tax Payers Current and Two Fiscal Years Ago

Taxpayer	2020		2018	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Citrus County Hospital Board	71451842	12.95%	61,820,174	12.68%
Citrus Memorial Hospital Inc-26670	19261068	3.49%	16,117,333	3.31%
Duke Energy Florida Inc	16407810	2.97%	14,486,318	2.97%
95 Flrpt LLC	7816810	1.42%	7,608,940	1.56%
Sembler Gregory S	6037710	1.09%	6,009,940	1.23%
Wyld Palms Holdings LLC	4971380	0.90%	5,006,090	1.03%
701 Medical Court East LLC	4654684	0.84%	4,639,920	0.95%
Sumter Electric Cooperative Inc	4594333	0.83%	4,321,969	0.89%
Signet Investments	3835260	0.70%	3,470,390	0.71%
FL Arbor Trail Holdings LLC	3641886	0.66%	3,601,918	0.74%
Brannen Bank	3640690	0.66%	3,820,172	0.78%
Embarq Florida	3507341	0.64%		
White Cap Of Florida Inc	3241300	0.59%	2,736,910	0.56%
Deere Credit Inc	2879367	0.52%		0.00%
AEM Anfang LLC	2719320	0.49%	2,241,310	0.46%
Inverness Regional LLC	2689570	0.49%	3,000,000	0.62%
Inverness Medical Imaging LLC	2671982	0.48%	1,982,230	0.41%
Citrus Plaza Commons LLC	2668630	0.48%	2,614,200	0.54%
JT Inverness Club LLC	2562830	0.46%	2,529,550	0.52%
Williams Ltc Inc	2512660	0.46%		
Rosenberg H Peter Trustee	2339830	0.42%	2,324,370	0.48%
Highland Terrace Aid Propco	2211512	0.40%	2,223,565	0.46%
Airport Bayway Inc	2092070	0.38%	2,029,830	0.42%
GRE Inverness Inc	2043341	0.37%	2,070,449	0.42%
Hollynn Properties Inc	2038733	0.37%		
Centurylink			2,996,647	0.61%
Publix Super Market #1448			1,805,319	0.37%
Nolette Joseph H			1,760,880	0.36%
Bobchad Holdings Inc			1,710,920	0.35%
<b>Total Top 25 Taxpayers</b>	<b>182,491,959</b>	<b>33.09%</b>	<b>162,929,344</b>	<b>33.41%</b>
<b>Total Taxable Value</b>	<b>551,570,216</b>	<b>100.00%</b>	<b>487,658,499</b>	<b>100.00%</b>

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

# City of Inverness

## Demographic and Economic Statistics Last Four Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita	Median Age (2)	Public School	County	City	County Population (1)
			Personal Income (1)		Enrollment (3)	Unemployment Rate (%) (4)	Unemployment Rate (%) (4)	
2016	7,233	136,667,535	18,895	51.0	14,881	6.9%	6.9%	141,058
2017	7,347	142,496,314	19,395	55.0	14,991	6.0%	6.0%	143,621
2018	7,304	150,673,778	20,629	55.1	15,083	4.7%	4.7%	145,647
2019	7,390	160,799,749	21,759	58.6	15,098	4.3%	4.3%	147,929
2020	7,414	167,784,825	22,631	57.3	15,611	10.2%	10.2%	149,657

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

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

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

2.) Median Age reflects the U.S. Census data estimation table.

3.) Student Enrollment reflects the total number of students enrolled in Citrus County School District.

4.) Unemployment rates data from [www.homefacts.com](http://www.homefacts.com).

# City of Inverness

## Principal Employers Current and Two Years Ago

Business Name	2020		2018	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Citrus County School District	2,098	34.91%	2,181	35.60%
Citrus County	1,297	21.58%	1,279	20.87%
Citrus Memorial Health System	1038	17.27%	834	13.61%
Lowe's Home Improvement*	209	3.48%	202	3.30%
Publix Super Market	200	3.33%	180	2.94%
Winn-Dixie - 2 locations	174	2.90%	154	2.51%
Citrus Health & Rehabilitation*	147	2.45%	143	2.33%
Arbor Trail Rehab & Nursing	115	1.91%	207	3.38%
Nick Nicholas Ford	109	1.81%		
Avante At Inverness	97	1.61%	90	1.47%
Brannen Bank			106	1.73%
<b>Total Top 10 Employers</b>	<b>5,484</b>	<b>91.25%</b>	<b>5,376</b>	<b>87.74%</b>
<b>Total City Labor Force (1)</b>	<b>6,010</b>		<b>6,127</b>	

Source: Avenu Insights & Analytics

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

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

\* Includes FT & PT employees.

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



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## Other Reports



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

The Honorable Mayor and City Council  
City of Inverness, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 10, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*McDermitt Davis*

Orlando, Florida  
June 10, 2021





## MANAGEMENT LETTER

Honorable Mayor and City Council  
City of Inverness, Florida

### Report on the Financial Statements

We have audited the financial statements of the *City of Inverness, Florida*, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 10, 2021.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 10, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

### Official Title and Legal Authority

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

### Financial Condition

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendations.

### ML 20-1- Change Orders

During our audit, we noted that several large change orders on the Depot District construction projects were not brought before Council for approval. We recommend that the City's purchasing policy require change orders over a specified amount or percentage of the contract be brought before Council for formal approval.

### **ML 20-2 Owner Direct Purchases**

During our audit, we noted that several owner direct purchases on the Depot District Construction projects did not have documentation of quotes or bids per the City's purchasing policy. We recommend that Contracts specify whether the City or Contractor is responsible for obtaining and maintain documentation of quotes and bids related to owner direct purchases.

### **Additional Matters**

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

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*McDiarmid Davis*

Orlando, Florida  
June 10, 2021



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Orlando, Florida 32803  
407-843-5406  
www.mcdermittdavis.com

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

The Honorable Mayor and City Council  
City of Inverness, Florida

We have examined City of Inverness' (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2020. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, City of Inverness complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

*McDermitt Davis*

Orlando, Florida  
June 10, 2021

**IMPACT FEE AFFIDAVIT**

BEFORE ME, the undersigned authority, personally appeared Eric C. Williams, Chief Financial Officer for the City of Inverness, Florida, who being duly sworn deposes and says on oath that:

1. I am the Chief Financial Officer of the City of Inverness which is a local governmental entity of the State of Florida;
2. The governing body of the City of Inverness adopted Ordinance No. 2016-715 implementing an impact fee; and
3. The City of Inverness has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.



Eric C. Williams, Chief Financial Officer

STATE OF FLORIDA  
COUNTY OF CITRUS

SWORN TO AND SUBSCRIBED before me this 11th day of June, 2021.



NOTARY PUBLIC

Print Name \_\_\_\_\_

Personally known  X  or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

# FINANCE DEPARTMENT



212 W. Main Street  
Inverness, FL 34450  
(352) 726-5016 Phone  
(352) 726-5534 Fax

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June 14, 2021

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

Re: City of Inverness - FYE September 30, 2020

Dear Auditor General,

The management comments related to fiscal year ending September 30, 2020 were received by both the City Manager and the Finance Director.

#### ML 20-1- Change Orders

The change order condition was related to six projects related to the Depot District construction which started in Fiscal Year 2018 and was substantially completed as of FY2020. The City updated the purchasing policy which was approved by City Council in January of 2020. All transactions subsequent to that date have been in compliance with the new policy.

#### ML 20-2 Owner Direct Purchases

The ODP condition was a result of the Depot District construction which started in Fiscal Year 2018 and was substantially completed as of FY2020. The City updated the purchasing policy which was approved by City Council in January of 2020. All transactions subsequent to that date have been in compliance with the new policy.

A handwritten signature in black ink, appearing to read "Eric C. Williams", written over a horizontal line.

City Manager Eric C. Williams

A handwritten signature in black ink, appearing to read "Richard A. La Condre", written over a horizontal line.

Finance Director Richard A. La Condre



Honorable Mayor and City Council  
City of Inverness, Florida

We have audited the financial statements of City of *Inverness* as of and for the year ended September 30, 2020, and have issued our report thereon dated June 10, 2021. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated October 7, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Inverness solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

#### **Qualitative Aspects of the Entity's Significant Accounting Practices**

##### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Inverness is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the city adopted Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest costs Incurred Before the End of a Construction Period*, and GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. There was no effect on beginning net position. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

##### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimation for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimation for the allocation of pension related balances between governmental activities and the water and sewer utility is based on the amount of required pension contributions required to be made by each reporting unit. We evaluated the reasonableness of the allocation factor in determining that it is reasonable in relation to the financial statements taken as a whole.

#### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Inverness's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated June 10, 2021.

#### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

#### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with City of Inverness, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Inverness's auditors.

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

Very truly yours,

*McDiarmid Davis*

Orlando, Florida  
June 10, 2021



# City of Inverness

## Administration Office

212 W. Main Street

Inverness, Florida 34450-4149

Administration@Inverness-FL.gov

(352) 726-2611

Fax (352) 726-0607

June 10, 2021

McDermitt Davis, LLC  
934 North Magnolia Avenue, Suite 100  
Orlando, FL 32803

This representation letter is provided in connection with your audit of the basic financial statements of City of Inverness, Florida, as of September 30, 2020 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 10, 2021:

### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 7, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- All proposed audit adjustments have been posted to the City's books.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.



- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned and unassigned fund balance have been properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to items reported at fair value:
  - The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With regard to nonadult services performed by you (financial statement preparation), we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assign a competent individual to oversee the services.
  - Evaluated the adequacy of the services performed.
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.
- With regard to pensions and OPEB
  - We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
  - We are unable to determine the possibility of withdrawal liability from the OPEB Plan, of which we are a sponsor and are not currently contemplating withdrawing from the OPEB Plan.
  - Increases in benefits, elimination of benefits and similar amendments have been disclosed in accordance with U.S. GAAP and are included in the most recent actuarial valuation, or disclosed as a subsequent event.

#### Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters.
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management.
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.

- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- City of Inverness, Florida has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which City of Inverness, Florida is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate, but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- City of Inverness, Florida has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

 6/11/21

Eric Williams – City Manager  
City of Inverness

 6/11/21

Richard La Condre – Finance Director  
City of Inverness



# City of Inverness

Finance Department  
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June 17, 2021

Florida Department of Transportation  
Office of Comptroller, MS 24  
605 Suwannee Street  
Tallahassee, Florida 32399-0450  
[FDOTSingleAudit@dot.state.fl.us](mailto:FDOTSingleAudit@dot.state.fl.us)

Subject: Single Audit Exemption for the Fiscal Year Ended 9/30/2020

Please check any applicable exemption criteria:

- City of Inverness did not meet the threshold established by 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* in total expenditures and/or non-cash assistance and is exempt from filing a federal single audit for this fiscal period.
  
- City of Inverness did not meet the threshold established by Section 215.97, Florida Statutes, *Florida Single Audit Act*, in total expenditures and/or non-cash assistance and is exempt from filing a state single audit for this fiscal period.

If you have any questions, please contact Richard La Condre at 352-726-5016 or By Email [rlacondre@inverness.gov](mailto:rlacondre@inverness.gov).

Sincerely,

Richard La Condre  
Finance Director