

**CITY OF LAKE HELEN, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**



PRINCIPAL OFFICIALS (AS OF JANUARY 29, 2021)

CITY COMMISSION

*Mayor – Daisy Raisler
Vice Mayor/Zone 4 – Jim Connell
Zone 1 – Kelly Frasca
Zone 2 – Roger Eckert
Zone 3 – Rick Basso*

CITY STAFF

*Interim City Administrator – Lee Evett
Deputy City Clerk – Lauren Olsen
Public Works Director – Rick Mullen
Police Chief – Michael A. Walker
Finance Director – Zach Chalifour, CPA*

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Lake Helen, 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 Lake Helen, Florida (the City)*, 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

The City'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's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 (1) unmodified opinion on the General Fund, Stormwater Management Special Revenue Fund, Disaster Reserve Special Revenue Fund, and aggregate remaining fund information, and (2) qualified audit opinion on the governmental activities, business-type activities and the Water Utility Fund.

Basis for Qualified Opinions on Governmental Activities, Business-type Activities, and Water Utility Fund

The City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and the Water Utility Fund. The amount by which this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and the Water Utility Fund has not been determined.

Qualified Opinion on Governmental Activities, Business-type Activities and Water Utility Fund

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 75, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Water Utility Fund of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund, Stormwater Management Special Revenue Fund, Disaster Reserve Special Revenue Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Stormwater Management Special Revenue Fund, Disaster Reserve Special Revenue Fund, and the aggregate remaining fund information of the City, 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 Stormwater Management Special Revenue 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 the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of changes in the City's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 29, 2021 on our consideration of the City'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* and should be considered in assessing the results of our audit.

McDermitt Davis

Orlando, Florida
January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Lake Helen, Florida (hereinafter referred to as the "City") offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2020. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The total assets of the City of Lake Helen, Florida exceeded its liabilities at the close of the most recent fiscal year by \$7,137,990 (net position). Of this amount, \$965,725 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$178,304 in fiscal year 2020. Net position of the City's governmental activities (General, Stormwater Management, and Disaster Reserve funds) increased (decreased) by \$138,228, while net position of its business type activities (Water Utility Fund) increased (decreased) by \$40,076.
- The City's governmental funds reported a combined ending fund balance of \$1,743,810 at the end of the current fiscal year, which increased (decreased) by \$167,874 in comparison to the \$1,575,936 reported at the end of the prior fiscal year. Approximately \$1,000,096 of this amount or 57% is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2020 fiscal year, unassigned fund balance for the General Fund was \$1,000,096 or 40% of the total fiscal year 2020 General Fund expenditures of \$2,529,954. This represents an increase of \$86,787 in unassigned fund balance from the amount reported at the end of 2019.
- The City's total long-term debt obligations decreased by \$121,296 during the fiscal year, due to scheduled current-year principal maturities/reductions on these obligations. The City's combined long-term commitment for compensated absences totaled \$93,227 at year-end.

Overview of the Financial Statements

The City's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including various pension-related schedules.

Management's discussion and analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, as well as other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods, and an economic resources focus, as utilized by similar business activities in the private sector. Information concerning the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles

applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the City's water utility system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plan for the City's police officers), to whom the resources in question belong.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities.

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 basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of its fiscal year, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the 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 the 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., delinquent taxes and earned but unused personal 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 services, public safety (police and building inspection), streets, storm water management, solid waste management, and recreation and leisure services. The business-type activities of the City include its water utility system.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. 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. These reconciliations can be found on pages 14 and 16.

The City maintains three 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, stormwater management fund, and disaster reserve fund, all of which are considered to be major funds.

Proprietary Funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The City's single enterprise fund (water utility system) is the only item included in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data. The basic proprietary fund financial statements can be found on pages 19 to 21 of this report.

Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined total assets exceeded liabilities (net position) by \$7,137,990 at the end of 2020, compared to \$6,959,685 at the end of 2019. This represents a total increase of \$178,304 or 2.6% over the amount reported at the end of the prior fiscal year.

The following is a summary of net position at year end:

**Net Position
September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 2,282,023	1,997,958	\$ 781,615	790,220	\$ 3,063,638	\$ 2,788,178
Capital assets	3,503,353	3,518,488	1,901,655	1,928,150	5,405,008	5,446,638
Total assets	\$ 5,785,376	\$ 5,516,446	\$ 2,683,270	\$ 2,718,370	\$ 8,468,646	\$ 8,234,816
DEFERRED OUTFLOWS	\$ 273,406	\$ 277,593	\$ 61,301	\$ 44,272	\$ 334,707	\$ 321,865
LIABILITIES						
Current liabilities	\$ 248,368	\$ 122,747	\$ 168,421	\$ 170,005	\$ 416,789	\$ 292,752
Noncurrent liabilities:	663,382	581,325	465,254	513,950	1,128,636	1,095,275
Total liabilities	\$ 911,750	\$ 704,072	\$ 633,675	\$ 683,955	\$ 1,545,425	\$ 1,388,027
DEFERRED INFLOWS	\$ 97,028	\$ 178,191	\$ 22,910	\$ 30,777	\$ 119,938	\$ 208,968
NET POSITION						
Net investment in capital assets	\$ 3,503,353	\$ 3,518,488	\$ 1,543,499	1,448,698	\$ 5,046,852	\$ 4,967,186
Restricted	851,925	781,188	273,488	239,726	1,125,413	1,020,914
Unrestricted	694,726	612,100	270,999	359,486	965,725	971,586
Total net position	\$ 5,050,004	\$ 4,911,776	\$ 2,087,986	\$ 2,047,910	\$ 7,137,990	\$ 6,959,686

The most significant component of the City's net position (approximately 71%) is, by far, its investment in capital assets (land, buildings and equipment), less any related debt used to acquire or construct those assets that are 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 (16%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 13% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled \$965,725 at year-end, compared to \$971,586 in 2019.

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2020, total revenues were \$3,633,500 compared to \$3,756,320 in the prior year. Approximately 19% of the City's revenue came from property taxes, 19% from other taxes, 49% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues.

During 2020, expenses were \$3,455,196 as opposed to \$3,106,514 in the prior year, for an increase of approximately 11%. City-wide, general government expenses account for approximately 21% of the City's expenses, while public safety expenses totaled approximately 28% and the water utility expenses were 23%. The other functions, including the solid waste system, stormwater, transportation, and culture and recreation each individually totaled close to or less than 10% of expenses relative to the City as a whole.

The following is a summary of changes in net position at year end:

**Changes in Net Position
For the Fiscal Years Ended September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Property taxes	696,132	654,659	\$ -	\$ -	\$ 696,132	\$ 654,659
Other taxes	692,146	677,698	-	-	692,146	677,698
Charges for services	967,240	955,053	808,096	764,937	1,775,336	1,719,990
Intergovernmental and grants	354,251	476,319	-	-	354,251	476,319
Other revenues	83,635	219,654	32,000	8,000	115,635	227,654
Total revenues	<u>2,793,404</u>	<u>2,983,383</u>	<u>840,096</u>	<u>772,937</u>	<u>3,633,500</u>	<u>3,756,320</u>
EXPENSES						
General government	727,507	731,482	-	-	727,507	731,482
Public safety	978,412	882,640	-	-	978,412	882,640
Physical environment	315,327	315,260	-	-	315,327	315,260
Transportation	346,917	276,291	-	-	346,917	276,291
Culture and recreation	287,013	256,493	-	-	287,013	256,493
Water utility	-	-	787,132	628,155	787,132	628,155
Interest expense	-	-	12,888	16,193	12,888	16,193
Total expenses	<u>2,655,176</u>	<u>2,462,166</u>	<u>800,020</u>	<u>644,348</u>	<u>3,455,196</u>	<u>3,106,514</u>
Change in net position	138,228	521,217	40,076	128,589	178,304	649,806
Net position, beginning of year	4,911,776	4,390,559	2,047,910	1,919,321	6,959,686	6,309,880
Net position, end of year	<u>\$ 5,050,004</u>	<u>\$ 4,911,776</u>	<u>\$ 2,087,986</u>	<u>\$ 2,047,910</u>	<u>\$ 7,137,990</u>	<u>\$ 6,959,686</u>

Governmental Activities

Revenues for the City's governmental activities totaled \$2,793,404 in 2020. This represents a decrease of approximately \$190,000 less than last year's reported revenues of \$2,983,383, and is primarily related to the City's decreased grant and miscellaneous revenues following a series of one-time items in the prior year.

Governmental activities expenses totaled \$2,655,176, which represents a modest increase over the prior year's total of \$2,462,166.

Business-Type Activities

The major source of operating revenues for the City's business-type activities is charges for services (potable water), which during the year increased to a total of \$840,096, or \$67,159 more than utility billings of \$772,937 in 2019. This increase was reflective of additional customers, consumer water rate increases in 2020 compared to 2019, as well as the installation of new water meters, which reduced the loss of water within the utility system.

Total operating expenses of the water utility fund in 2020 and totaled \$787,132, compared to \$628,155 in 2019, an increase of \$158,977, or approximately 25%. The majority of this change was due to a nearly \$50,000 pension expense in 2020.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental funds reported a combined fund balance of \$1,743,810, which was an increase (decrease) of \$167,874 compared with the amount reported last year.

The general fund is the chief operating fund of the City. As of September 30, 2020, the unassigned fund balance in the general fund totaled \$1,000,096. This unassigned fund balance represents approximately 40% of the City's spending requirements experienced during 2020.

The Storm Water Management Fund is a special revenue fund which was established to separately account for the collection and disposition of the City's annual storm water utility fees. At the end of 2020, there was a fund balance of \$111,526, compared to \$151,981 at the end of the prior year.

Proprietary Fund. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$270,999 which is a decrease of \$88,487 compared with than last year's reported amount of \$359,486. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Actual earned revenues were \$158,138 more than the amounts originally anticipated to be received during the year in the City's General Fund, primarily due to an unanticipated Coronavirus Relief Fund grant of \$97,000. Actual expenditures incurred were \$76,080 less than originally anticipated, primarily due to less capital outlays than originally budgeted. The result was a net difference of unanticipated revenues over unanticipated expenditures of \$234,218.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2020, the City had over \$8 million invested in a broad range of capital assets, including land buildings, park facilities, police equipment, public works equipment and water lines. See Note (6) for further information on the City's capital assets.

Long-Term Debt. The City has revenue note obligations payable to the State of Florida, Department of Environmental Protection Drinking Water State Revolving Fund Loan Program totaling \$358,156 at year-end, compared to \$479,452 one year earlier. The proceeds of these loans, which were drawn in increments over 2011 and preceding years, were used to finance the construction of improvements to the City's potable water system. Under these agreements, the City must repay these loans with semiannual payments.

More detailed information about the City's long-term debt is presented in Note (7) to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- The most recent estimates available for unemployment data in the Lake Helen, Volusia County, and the State of Florida are compiled by the Florida Department of Economic Opportunity. This agency estimates a countywide unemployment rate of 6.3% at the end of September 2020, which is 3.1% higher than the 3.2% rate experienced one year earlier. While the jobless rate for the year ended September 2020 is significantly higher than the previous year, it is down from a record high in April 2020 where it reached 14.6% as the State temporarily shut down due to COVID-19, and it is expected to continue to decrease as the State continues to reopen.
- Property tax revenue in fiscal year 2021 is expected to be approximately 6% higher than the property taxes collected in fiscal year 2020. This is due to rising property values and the Commission's approval and adoption of a 6.85 millage rate for the 2021 tax levy, which is a decrease of 0.15 mills from the rate adopted for fiscal year 2020.
- The City has seen an increase since 2014 in residential homes as well as few commercial structures and is projecting more residential and commercial development.
- The fiscal year 2021 budgets adopted for the General Fund, Storm Water Utility Fund, and Water Utility Fund utilized the prior year's final adopted budgets and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budgets. The final budget was further modified to reflect changing revenue projections and anticipated changes in expenditure trends. The City's 2021 general fund budget included a projected 25% revenue loss on certain intergovernmental revenues due to the COVID-19 pandemic, primarily related to sales tax proceeds.
- Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the City Administrator, City of Lake Helen, P.O. Box 39, Lake Helen, Florida 32744-0039.

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 808,876	\$ 280,915	\$ 1,089,791
Investments	465,556	-	465,556
Receivables, net	39,562	223,410	262,972
Due from other governments	196,048	-	196,048
Prepays	23,778	-	23,778
Restricted assets:			
Cash and cash equivalents	91,250	277,290	368,540
Investments	350,000	-	350,000
Net pension asset	306,953	-	306,953
Capital assets:			
Non-depreciable	558,558	17,982	576,540
Depreciable, net	2,944,795	1,883,673	4,828,468
Total assets	<u>\$ 5,785,376</u>	<u>\$ 2,683,270</u>	<u>\$ 8,468,646</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 273,406</u>	<u>\$ 61,301</u>	<u>\$ 334,707</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 224,759	\$ 18,160	\$ 242,919
Customer deposits	5,091	14,792	19,883
Unearned revenue	1,410	-	1,410
Accrued interest payable	-	3,802	3,802
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	125,468	125,468
Compensated absences	17,108	6,199	23,307
Due in more than one year:			
Bonds and notes payable	-	232,688	232,688
Compensated absences	51,322	18,598	69,920
Net pension liability	612,060	213,968	826,028
Total liabilities	<u>\$ 911,750</u>	<u>\$ 633,675</u>	<u>\$ 1,545,425</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 97,028</u>	<u>\$ 22,910</u>	<u>\$ 119,938</u>
NET POSITION			
Net investment in capital assets	\$ 3,503,353	\$ 1,543,499	\$ 5,046,852
Restricted for:			
Capital projects	91,074	159,887	250,961
Debt service	-	113,601	113,601
Pensions	373,515	-	373,515
Law enforcement training	10,090	-	10,090
Fire rescue services	846	-	846
Park improvements	26,400	-	26,400
Disaster reserve	350,000	-	350,000
Unrestricted	694,726	270,999	965,725
Total net position	<u>\$ 5,050,004</u>	<u>\$ 2,087,986</u>	<u>\$ 7,137,990</u>

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

**CITY OF LAKE HELEN, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 727,507	\$ 151,843	\$ -	\$ 5,000	\$ (570,664)	\$ -	\$ (570,664)
Public safety	978,412	436,412	97,468	5,000	(439,532)	-	(439,532)
Physical environment	315,327	330,597	-	-	15,270	-	15,270
Transportation	346,917	-	37,727	91,670	(217,520)	-	(217,520)
Culture and recreation	287,013	48,388	-	5,000	(233,625)	-	(233,625)
Total governmental activities	<u>2,655,176</u>	<u>967,240</u>	<u>135,195</u>	<u>106,670</u>	<u>(1,446,071)</u>	<u>-</u>	<u>(1,446,071)</u>
Business-type activities:							
Water utility	800,020	808,096	-	32,000	-	40,076	40,076
Total business-type activities	<u>800,020</u>	<u>808,096</u>	<u>-</u>	<u>32,000</u>	<u>-</u>	<u>40,076</u>	<u>40,076</u>
Total primary government	<u>\$ 3,455,196</u>	<u>\$ 1,775,336</u>	<u>\$ 135,195</u>	<u>\$ 138,670</u>	<u>(1,446,071)</u>	<u>40,076</u>	<u>(1,405,995)</u>
General revenues:							
Property taxes					696,132	-	696,132
Sales and use taxes					154,842	-	154,842
Franchise fees					198,179	-	198,179
Public service taxes					302,160	-	302,160
Other taxes					10,906	-	10,906
Insurance premium taxes					26,059	-	26,059
State revenue sharing					105,737	-	105,737
Other intergovernmental revenues					6,649	-	6,649
Investment earnings (loss)					11,927	-	11,927
Miscellaneous revenues					71,708	-	71,708
Total general revenues					<u>1,584,299</u>	<u>-</u>	<u>1,584,299</u>
Change in net position					138,228	40,076	178,304
Net position - beginning					4,911,776	2,047,910	6,959,686
Net position - ending					<u>\$ 5,050,004</u>	<u>\$ 2,087,986</u>	<u>\$ 7,137,990</u>

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

**CITY OF LAKE HELEN, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General</u>	<u>Stormwater Management</u>	<u>Disaster Reserve</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 719,559	\$ 180,567	\$ -	\$ 900,126
Investments	465,556	-	350,000	815,556
Receivables, net	39,562	-	-	39,562
Due from other governments	196,048	-	-	196,048
Prepaid items	23,778	-	-	23,778
Total assets	<u>\$ 1,444,503</u>	<u>\$ 180,567</u>	<u>\$ 350,000</u>	<u>\$ 1,975,070</u>
LIABILITIES				
Accounts payable	\$ 114,961	\$ 69,041	\$ -	\$ 184,002
Accrued payroll and employee benefits	40,757	-	-	40,757
Customer deposits	5,091	-	-	5,091
Unearned revenue	1,410	-	-	1,410
Total liabilities	<u>162,219</u>	<u>69,041</u>	<u>-</u>	<u>231,260</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	23,778	-	-	23,778
Restricted for:				
Disaster reserve	-	-	350,000	350,000
Capital projects	91,074	-	-	91,074
Law enforcement training	10,090	-	-	10,090
Fire rescue services	846	-	-	846
Park improvements	26,400	-	-	26,400
Committed to:				
Hurricane reserve	130,000	-	-	130,000
Stormwater improvements	-	111,526	-	111,526
Unassigned	1,000,096	-	-	1,000,096
Total fund balances	<u>1,282,284</u>	<u>111,526</u>	<u>350,000</u>	<u>1,743,810</u>
Total liabilities and fund balances	<u>\$ 1,444,503</u>	<u>\$ 180,567</u>	<u>\$ 350,000</u>	<u>\$ 1,975,070</u>

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

CITY OF LAKE HELEN, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Fund balances - total governmental funds \$ 1,743,810

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

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

Total governmental capital assets	5,489,114	
Less: accumulated depreciation	<u>(1,985,761)</u>	3,503,353

On the governmental fund statements, a net pension liability (asset) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability (asset) of the defined benefit pension plans is reported as a noncurrent liability (asset). Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(612,060)	
Net pension asset	306,953	
Deferred outflows related to pensions	273,406	
Deferred inflows related to pensions	<u>(97,028)</u>	(128,729)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:

Compensated absences		(68,430)
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Net position of governmental activities \$ 5,050,004

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>Stormwater Management</u>	<u>Disaster Reserve</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,251,552	\$ -	\$ -	\$ 1,251,552
Licenses, permits, and assessments	805,394	3,120	-	808,514
Intergovernmental	264,048	-	-	264,048
Charges for services	277,082	52,001	-	329,083
Fines and forfeitures	7,620	-	-	7,620
Investment income	11,927	-	-	11,927
Miscellaneous	109,549	-	-	109,549
Total revenues	<u>2,727,172</u>	<u>55,121</u>	<u>-</u>	<u>2,782,293</u>
Expenditures				
Current:				
General government	674,108	-	-	674,108
Public safety	953,967	-	-	953,967
Public works	315,895	-	-	315,895
Parks and recreation	249,792	-	-	249,792
Physical environment	270,897	26,535	-	297,432
Capital outlay	65,295	69,041	-	134,336
Total expenditures	<u>2,529,954</u>	<u>95,576</u>	<u>-</u>	<u>2,625,530</u>
Excess (deficiency) of revenues over expenditures	<u>197,218</u>	<u>(40,455)</u>	<u>-</u>	<u>156,763</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	11,111	-	-	11,111
Net change in fund balances	<u>208,329</u>	<u>(40,455)</u>	<u>-</u>	<u>167,874</u>
Fund balances, beginning of year	1,073,955	151,981	350,000	1,575,936
Fund balances, end of year	<u>\$ 1,282,284</u>	<u>\$ 111,526</u>	<u>\$ 350,000</u>	<u>\$ 1,743,810</u>

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

**CITY OF LAKE HELEN, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds	\$ 167,874
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	134,336
Depreciation expense	(140,477)
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.	
	(8,994)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability (asset) and deferred inflows/outflows related to pensions	1,180
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in compensated absences liability	(15,691)
Change in net position of governmental activities	\$ 138,228

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,194,100	\$ 1,194,100	\$ 1,251,552	\$ 57,452
Licenses, permits, and assessments	838,721	838,721	805,394	(33,327)
Intergovernmental	170,450	170,450	264,048	93,598
Charges for services	279,803	279,803	277,082	(2,721)
Fines and forfeitures	13,760	13,760	7,620	(6,140)
Interest revenues	4,000	4,000	11,927	7,927
Miscellaneous	68,200	68,200	109,549	41,349
Total revenues	<u>2,569,034</u>	<u>2,569,034</u>	<u>2,727,172</u>	<u>158,138</u>
Expenditures				
Current:				
General Government:				
Legislative	79,493	79,493	74,942	4,551
Executive	97,268	97,268	96,734	534
Administration	84,164	84,164	143,577	(59,413)
Legal	55,000	55,000	71,191	(16,191)
Grants & special projects	388,453	388,453	287,664	100,789
Public Safety:				
Police	547,748	547,748	526,405	21,343
Fire	423,740	423,740	427,562	(3,822)
Public works	309,899	309,899	315,895	(5,996)
Parks and recreation	194,172	194,172	249,792	(55,620)
Physical environment	268,547	268,547	270,897	(2,350)
Capital outlay	157,550	157,550	65,295	92,255
Total expenditures	<u>2,606,034</u>	<u>2,606,034</u>	<u>2,529,954</u>	<u>76,080</u>
Excess (deficiency) of revenues over expenditures	<u>(37,000)</u>	<u>(37,000)</u>	<u>197,218</u>	<u>234,218</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	12,000	12,000	11,111	(889)
Net change in fund balances	<u>(25,000)</u>	<u>(25,000)</u>	<u>208,329</u>	<u>233,329</u>
Fund balances, beginning of year	1,073,955	1,073,955	1,073,955	-
Fund balances, end of year	<u><u>\$ 1,048,955</u></u>	<u><u>\$ 1,048,955</u></u>	<u><u>\$ 1,282,284</u></u>	<u><u>\$ 233,329</u></u>

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STORMWATER MANAGEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Licenses, permits, and assessments	\$ 1,800	\$ 1,800	\$ 3,120	\$ 1,320
Intergovernmental	294,837	294,837	-	(294,837)
Charges for services	53,376	53,376	52,001	(1,375)
Total revenues	<u>350,013</u>	<u>350,013</u>	<u>55,121</u>	<u>(294,892)</u>
Expenditures				
Current:				
Physical environment	22,417	22,417	26,535	(4,118)
Capital outlay	327,596	327,596	69,041	258,555
Total expenditures	<u>350,013</u>	<u>350,013</u>	<u>95,576</u>	<u>254,437</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(40,455)</u>	<u>(40,455)</u>
Fund balances, beginning of year	151,981	151,981	151,981	-
Fund balances, end of year	<u>\$ 151,981</u>	<u>\$ 151,981</u>	<u>\$ 111,526</u>	<u>\$ (40,455)</u>

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

**CITY OF LAKE HELEN, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020**

	<u>Water Utility</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 280,915
Restricted cash	3,802
Accounts receivable, net	223,410
Total current assets	<u>508,127</u>
Noncurrent assets:	
Restricted cash	273,488
Capital assets:	
Land	17,982
Buildings and improvements	2,965,027
Equipment	451,921
Accumulated depreciation	<u>(1,533,275)</u>
Total noncurrent assets	<u>2,175,143</u>
Total assets	<u><u>\$ 2,683,270</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u><u>\$ 61,301</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 18,160
Deposits	14,792
Compensated absences	6,199
Payable from restricted assets:	
Current maturities on long-term debt	125,468
Accrued interest payable	<u>3,802</u>
Total current liabilities	<u>168,421</u>
Noncurrent liabilities:	
Notes payable	232,688
Compensated absences	18,598
Net pension liability	<u>213,968</u>
Total noncurrent liabilities	<u>465,254</u>
Total liabilities	<u><u>\$ 633,675</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u><u>\$ 22,910</u></u>
NET POSITION	
Net investment in capital assets	\$ 1,543,499
Restricted for:	
Debt service	113,601
Utility expansion	159,887
Unrestricted	<u>270,999</u>
Total net position	<u><u>\$ 2,087,986</u></u>

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Water Utility
Operating revenues	
Charges for services	\$ 808,096
Total operating revenues	808,096
Operating expenses	
Personnel services	300,394
Contractual services	106,017
Repairs and maintenance	59,509
Supplies	191,237
Utilities	38,283
Depreciation	91,692
Total operating expenses	787,132
Operating income (loss)	20,964
Nonoperating revenues (expenses)	
Interest and amortization expense	(12,888)
Income (loss) before capital contributions and transfers	8,076
Capital contributions	32,000
Change in net position	40,076
Net position , beginning of year	2,047,910
Net position , end of year	\$ 2,087,986

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

**CITY OF LAKE HELEN, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Water Utility
Cash flows from operating activities	
Cash received from customers	\$ 795,734
Cash paid to employees	(247,890)
Cash paid to suppliers	(399,185)
Net cash provided by operating activities	148,659
Cash flows from noncapital financing activities	
Interfund loans	(136,440)
Net cash used in noncapital financing activities	(136,440)
Cash flows from capital and related financing activities	
Impact fees and capital contributions	32,000
Acquisition and construction of capital assets	(65,197)
Principal payments of long-term debt	(121,296)
Interest paid	(14,638)
Net cash used in capital and related financing activities	(169,131)
Net change in cash and cash equivalents	(156,912)
Cash and cash equivalents, beginning of year	715,117
Cash and cash equivalents, end of year	\$ 558,205
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 20,964
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:	
Depreciation	91,692
Changes in assets and liabilities:	
Accounts receivable	(11,867)
Accounts payable and accrued liabilities	(4,139)
Deposits	(495)
Compensated absences	2,514
Net pension liability	49,990
Net cash provided by (used in) operating activities	\$ 148,659
Cash and cash equivalents classified as:	
Unrestricted	\$ 280,915
Restricted	277,290
Total cash and cash equivalents	\$ 558,205

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

**CITY OF LAKE HELEN, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020**

	Municipal Police Officers' Retirement Trust Fund
ASSETS	
Cash and cash equivalents with trustee	\$ 11,989
Receivables	
Employee contributions receivable	1,573
Investments, at fair value	
Mutual and pooled funds	1,486,578
Total assets	<u>\$ 1,500,140</u>
NET POSITION	
Restricted for pensions	<u>\$ 1,500,140</u>

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Municipal Police Officers' Retirement Trust Fund
Additions	
Contributions:	
Plan members	\$ 1,583
State - insurance premium taxes	26,059
Total contributions	27,642
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	91,883
Less: investment expense	(2,785)
Net investment income (loss)	89,098
Total additions	116,740
Deductions	
Benefit payments	42,112
Administrative expenses	3,813
Total deductions	45,925
Change in net position	70,815
Net position , beginning of year	1,429,325
Net position , end of year	\$ 1,500,140

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

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Lake Helen, Florida (the City), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City is a municipal corporation created by the Laws of Florida, located in Volusia County. The City was originally incorporated under the general Laws of Florida in October 1888, and adopted its first charter in April 1945, under the provisions of Senate Bill No. 627 and the Municipal Home Rule Power Act, F.S. Chapter 166. The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Administrator.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the City Commission of the City, the reporting entity of government for which the City Commission is considered to be financially accountable. In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

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

As a general rule the effect of interfund City activities has been eliminated from the government-wide financial statements.

(c) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, 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 property tax 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 pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, 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 government.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

The **Stormwater Management Special Revenue Fund** is a special revenue fund which accounts for the financial resources related to the development and maintenance of the City's stormwater management system.

The **Disaster Reserve Fund** is a special revenue fund which accounts for the financial resources related to the investment of proceeds from the sale of the City's electric distribution system in 1981.

The City reports the following major proprietary fund:

The **Water Utility Fund** accounts for the financial activities of the City's potable water utility system, including the pumping, treatment, and distribution systems.

Additionally, the City reports the following fiduciary fund:

The **Municipal Police Officers' Retirement Trust Fund** accounts for the financial activities of the Police Officers' Retirement Trust Fund, which accumulates financial resources to pay pension benefits to qualified police officers.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. On or before July 15th, the City Administrator submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

- iv. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
- vii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the City Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The general, stormwater management, and water utility funds have legally adopted budgets. The disaster reserve fund does not have a legally adopted budget.

The City did not exceed the authorized budget in any governmental funds for the fiscal year ended September 30, 2020.

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(g) **Deposits and investments**—The City’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 are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(h) **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). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled accounts receivable are accrued by the City at year-end to recognize the sales revenues earned through the end of the fiscal year. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City.

Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and improvements	15 – 40 years
Utility plants	25 – 50 years
Infrastructure	15 – 50 years
Equipment	2 – 25 years

(j) **Compensated absences**—City policy permits employees to accumulate a limited amount of earned, but unused annual and personal leave, up to maximums of 240 and 360 hours, respectively. These benefits are payable at 100% and 25%, respectively, to employees upon separation from service. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in accordance with the GASB Codification. Such liability will be liquidated by the general and water funds as it becomes due.

(k) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed when paid.

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, 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. Currently, the only item in this category consisted of deferred amounts related to pensions, as discussed further in Note (10).

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 or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category consisted of deferred inflows of resources related to pensions, as discussed further in Note (10).

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the City Commission or the City Administrator.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, it is the City’s policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(n) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City’s policy to consider restricted net position to have been used before unrestricted net position is applied.

(o) **Implementation of new accounting standards**—At September 30, 2020, and for the year then ended, the City has not implemented any new accounting standards with a material effect on the City’s financial statements.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(2) Reconciliation of Government-Wide and Fund Financial Statement:

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is 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. A detailed explanation of these differences is provided in this reconciliation.

(3) Property Tax Calendar:

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2020, the millage rate assessed by the City was 7.0000 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

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, 1% in the month of February, and without discount in March.

The City recognizes property tax revenues on an accrual basis. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The City tax calendar is as follows:

Valuation Date:	January 1, 2019
Preliminary Tax Roll Date:	July 1, 2019
Commission Tax Rate Hearings:	September 2019
Levy Date:	November 1, 2019
Due Date:	March 31, 2020
Lien Date:	June 1, 2020

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(4) Deposits and Investments:

The City, for accounting and investment purposes, maintains a pooled noninterest-bearing banking account for substantially all City funds. Additional accounts are held for various other purposes, or to segregate cash balances for amounts which are restricted or held on behalf of others.

State statutes authorize the City to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2020, all City deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the City is authorized to deposit funds only in Qualified Public Depositories.

The City is a member of Florida PRIME, the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), that is administered by the State Board of Administration of Florida (SBA). The Regulatory Oversight of the Local Government Surplus Funds Trust fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules for the State Board of Administration. These rules provide guidance and establish the general procedure for the administration of the Local Government Surplus Funds Trust Fund. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedure consistent with the requirements for a 2a-7 fund. As of September 30, 2020, the investment pool had a weighted average of 48 days to maturity and was rated AAAM by Standard & Poor's.

The City's investment portfolio held no assets or investments carried at fair value at September 30, 2020, and subject to the required disclosures of GASB 72.

City Investment Portfolio

As of September 30, 2020, the City's governmental and business-type investment portfolio is composed of the following investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&P)</u>	<u>Carrying Value</u>	<u>Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5</u>
Cash and cash equivalents	NR	\$ 1,458,331	\$ 1,458,331	\$ -	\$ -
SBA funds	AAAm	815,556	815,556	-	-
Total Portfolio		<u>\$ 2,273,887</u>	<u>\$ 2,273,887</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(4) Deposits and Investments: (Continued)

Interest Rate Risk: The City limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the City’s surplus funds are invested in the Local Government Surplus Trust Fund. Investments held in the City’s Police pension trust fund are generally held to maturity to provide a stable investment interest rate platform which is vital to the projection of actuarial pension costs in the future. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. The City’s bank deposits are held in noninterest-bearing accounts.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City’s portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Concentration of Credit Risk: In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. The City’s policy limits certain type of investments to no more than 5% of the total portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

Custodial Credit Risk: All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2020, the City’s investment of \$815,556 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

Municipal Police Officers’ Retirement Trust Fund Investment Portfolio

The Municipal Police Officers’ Retirement Trust Fund has adopted an investment policy which authorizes the pension manager to invest in equities, fixed income investments, money market funds, and pooled funds.

The Plan is subject to using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Observable inputs other than quoted market prices; and,
- Level 3:* Unobservable inputs.

The following chart shows the Municipal Police Officers’ Retirement Trust Fund cash and investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating (Fitch)</u>	<u>Fair Value Hierarchy Classification</u>
Pooled Funds – Fixed Income Gov’t	\$ 208,301	6.60	AAf/S4	Level 2
Pooled Funds – Fixed Income Funds	209,799	5.82	NR	Level 3
Pooled Funds – Equities	932,108	N/A	NR	Level 2
Pooled Funds – Real Estate	136,370	N/A	NR	Level 3
Cash	11,989	N/A	NR	N/A
Total Portfolio	<u>\$ 1,498,567</u>			

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(4) **Deposits and Investments:** (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2020, all investments were held in cash or other assets that could be liquidated at any time.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2020.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Police Pension trust fund policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company. At September 30, 2020, the investment portfolios met these limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2020, the investment portfolio had no foreign investments.

(5) **Accounts Receivable:**

The City's receivables consist of the following at September 30, 2020:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 39,562	\$ -	\$ 39,562
Totals – Governmental Type Activities	<u>39,562</u>	<u>-</u>	<u>39,562</u>
Business-Type Activities			
Water Utility Fund			
Accounts receivable	233,410	(10,000)	223,410
Totals – Business-Type Activities	<u>233,410</u>	<u>(10,000)</u>	<u>223,410</u>
Totals	<u>\$ 272,972</u>	<u>\$ (10,000)</u>	<u>\$ 262,972</u>

In addition to accounts receivable, the City also recorded \$196,048 in due from other governments at September 30, 2020.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(6) Capital Assets:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 489,517	\$ -	\$ -	\$ 489,517
Construction in progress	151,067	69,040	(151,066)	69,041
Total capital assets, not being depreciated	<u>640,584</u>	<u>69,040</u>	<u>(151,066)</u>	<u>558,558</u>
Capital assets, being depreciated –				
Buildings and improvements	4,122,024	135,185	-	4,257,209
Equipment	601,164	72,183	-	673,347
Total capital assets, being depreciated	<u>4,723,188</u>	<u>207,368</u>	<u>-</u>	<u>4,930,556</u>
Less: accumulated depreciation	<u>(1,845,284)</u>	<u>(140,477)</u>	<u>-</u>	<u>(1,985,761)</u>
Total capital assets, being depreciated, net	<u>2,877,904</u>	<u>66,891</u>	<u>-</u>	<u>2,944,795</u>
Governmental activities capital assets, net	<u>\$ 3,518,488</u>	<u>\$ 135,931</u>	<u>\$ (151,066)</u>	<u>\$ 3,503,353</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 17,982	\$ -	\$ -	\$ 17,982
Total capital assets, not being depreciated	<u>17,982</u>	<u>-</u>	<u>-</u>	<u>17,982</u>
Capital assets, being depreciated –				
Buildings and improvements	2,965,027	-	-	2,965,027
Equipment	386,724	65,197	-	451,921
Total capital assets, being depreciated	<u>3,351,751</u>	<u>65,197</u>	<u>-</u>	<u>3,416,948</u>
Less: accumulated depreciation	<u>(1,441,583)</u>	<u>(91,692)</u>	<u>-</u>	<u>(1,533,275)</u>
Total capital assets, being depreciated, net	<u>1,910,168</u>	<u>(26,495)</u>	<u>-</u>	<u>1,883,673</u>
Business-type activities capital assets, net	<u>\$ 1,928,150</u>	<u>\$ (26,495)</u>	<u>\$ -</u>	<u>\$ 1,901,655</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 29,894
Public safety	24,445
Physical environment	17,895
Transportation	31,022
Culture and recreation	37,221
Total depreciation expense - governmental activities	<u>\$ 140,477</u>
Business-type activities:	
Water utility	\$ 91,692
Total depreciation expense - business-type activities	<u>\$ 91,692</u>

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(7) Long-Term Debt:

For the fiscal year ended September 30, 2020, a summary of the long-term liability transactions for the City is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 52,739	\$ 56,816	\$ (41,125)	\$ 68,430	\$ 17,108
Business-type activities:					
State revolving fund loans	\$ 479,452	\$ -	\$ (121,296)	\$ 358,156	\$ 125,468
Compensated absences	22,283	18,570	(16,056)	24,797	6,199
Business-type activities – Total long-term liabilities	<u>\$ 501,735</u>	<u>\$ 18,570</u>	<u>\$ (137,352)</u>	<u>\$ 382,953</u>	<u>\$ 131,667</u>

Annual debt service requirements to maturity for the City’s state revolving fund loans are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 125,468	\$ 10,466	\$ 135,934
2022	129,787	6,148	135,935
2023	14,672	2,717	17,389
2024	15,076	2,313	17,389
2025	15,492	1,897	17,389
2026-2029	57,661	3,199	60,860
Total	<u>\$ 358,156</u>	<u>\$ 26,740</u>	<u>\$ 384,896</u>

Notes payable in the City’s business-type activities at September 30, 2020, are comprised of the following obligations, all of which are direct borrowings:

State Revolving Fund note payable, dated June 14, 2000, due in semiannual payments of \$59,273, including interest at 3.05% to 3.57% through April 15, 2022. Repayment of loan balance is secured by a pledge of Water Utility revenues.	\$ 227,082
State Revolving Fund note payable, dated June 5, 2008, due in semiannual payments of \$8,694, including interest at 2.57% to 2.77% through March 15, 2029. Repayment of loan balance is secured by a pledge of Water Utility revenues.	131,074
Total long-term debt, business-type activities	<u>\$ 358,156</u>

The state revolving fund notes payable are secured by pledged water utility revenues. The City was in compliance with all applicable debt covenants as of and for the year ended September 30, 2020. In the event of default, the Florida Department of Environmental Protection may cause the City to establish rates and collect fees, require the City to account for all monies received and used, appoint a receiver to manage the water utility, 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 1.66%.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(8) Conduit Debt:

The City has the ability to provide financial assistance to private-sector entities by allowing such entities to obtain financing to acquire or construct equipment and facilities deemed to be in the public interest. Bonds issued on behalf of the entities are not deemed to constitute a debt of the City, the State of Florida, or any political subdivision thereof. Bonds or other debt obligations are payable solely from the revenues or other resources pledged under the terms of the debt agreements.

As of September 30, 2020, there was one conduit debt issuance outstanding, held by Volusia Charter Schools of Excellence, Inc. d/b/a Ivy Hawn Charter School the Arts, with an outstanding balance of approximately \$17.8 million.

(9) Interfund Loans, Advances, and Transfers:

There were no interfund loans, advances, or transfers as of or during the year ended September 30, 2020.

(10) Employees' Retirement Plans:

A. Deferred Compensation Plan

The City offers employees' participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by Nationwide Retirement Solutions, P.O. Box 182797, Columbus, OH, 43218-2797. Annual contributions are limited to the amount allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. The City may also contribute to the plan for participants; these contributions vest at the time such contributions are made to the plan. For the year ended September 30, 2020, employee contributions to the 457 plan were approximately \$11,000. There were no employer contributions for the year ended September 30, 2020.

B. Florida Retirement System

Plan Description and Administration

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all of the City's full-time employees with the exception of sworn law enforcement officers. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(10) **Employees' Retirement Plans:** (Continued)

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(10) **Employees' Retirement Plans:** (Continued)

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2020, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2020	After June 30, 2020
Regular Class	8.47%	10.00%
Senior Management	25.41%	27.29%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for entity employees participating in FRS and HIS for the plan year ended June 30, 2020, were as follows:

Entity Contributions – FRS	\$ 48,887
Entity Contributions – HIS	8,888
Employee Contributions – FRS	16,062

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2020, the City reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 637,715
HIS	188,313
Total	\$ 826,028

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(10) **Employees' Retirement Plans:** (Continued)

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 that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2020 and 2019, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2020	2019
FRS	0.001471374%	0.001474351%
HIS	0.001542302%	0.001547116%

For the plan year ended June 30, 2020, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	118,029
HIS		6,701
Total	\$	124,730

Deferred outflows/inflows related to pensions:

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,407	\$ -	\$ 7,703	\$ (145)
Changes of assumptions	115,447	-	20,249	(10,950)
Net different between projected and actual investment earnings	37,970	-	150	-
Change in proportionate share	7,557	(51,181)	4,492	(26,168)
Contributions subsequent to measurement date	16,204	-	2,472	-
	\$ 201,585	\$ (51,181)	\$ 35,066	\$ (37,263)

Amounts reported as deferred outflows (except for contributions made subsequent to the measurement date, which will be recognized in the succeeding fiscal year) and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2021	\$	23,078
2022		46,861
2023		34,472
2024		19,452
2025		3,790
Thereafter		1,878
Total	\$	129,531

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(10) **Employees' Retirement Plans:** (Continued)

Actuarial assumptions:

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate decreased from the prior year rate, which was 6.90%. The 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 calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.50%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2020, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.2%
Fixed income	19.0%	3.0%
Global equities	54.2%	8.0%
Real estate	10.3%	6.4%
Private equity	11.1%	10.8%
Strategic investments	4.4%	5.5%
Total	<u>100.0%</u>	

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(10) **Employees' Retirement Plans:** (Continued)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.80%	\$ 1,018,324	\$ 637,715	\$ 319,829
HIS	2.21%	217,681	188,313	164,275

C. Municipal Police Officers' Retirement Trust Fund

Plan Description and Administration

The City contributes to the Florida Municipal Pension Trust Fund Defined Benefit Plan and Trust (the Plan), a single-employer defined benefit pension plan which is administered by Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302-1757. Under Resolution No. 95-5, the City established this Plan for all full-time sworn police officers hired on or after January 1, 1996, by temporarily revoking its prior participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. No stand-alone financial report is issued for the Plan.

Benefits Provided and Employees Covered

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. No cost of living adjustments are provided to retirees and beneficiaries. The Plan's Board of Trustees has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of every other year. Current membership in the Plan was composed of the following at October 1, 2019:

Inactive participants	2
Active participants	4
Retired participants (including beneficiaries)	3
Total current membership	9

Employees vest with 100% full benefits after 6 years of service. Employees are eligible for normal retirement after attaining age 55 with 6 years of credited service, or 25 years of credited service, regardless of age. Employees are eligible for early retirement after at any age with 10 years of credited service. Benefits at normal retirement are equal to 3.00% of average earnings (average of the highest five years of pensionable wages out of the last 10 years) time years of service. Early retirement benefits are reduced by 3% for each year by which the early retirement date precedes the normal retirement date.

Financial Statements

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(10) **Employees' Retirement Plans:** (Continued)

Contributions

The participant contribution rates for the Plan are established by and may be amended by the City Commission. Employees covered under the plan are required to make contributions of 1% of their compensation. The City's annual required contribution for the current year was determined as part of the October 1, 2019, actuarial valuations. The City is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The City's contributions (and if applicable, any liquidations of a net pension liability) to the Plan are funded by the General Fund.

The State of Florida also makes contributions to the Plan in accordance with Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for the plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the Plan for the year ended September 30, 2020, were as follows:

Employee contributions	\$	1,583
City contributions		-
State contributions		<u>26,059</u>
Total contributions	\$	<u><u>27,642</u></u>

Investment Policy

See Note (4) for additional discussion of the investment policies for the Plan.

Net Pension Liability (Asset)

The components of the net pension liability (asset) for the Plan at September 30, 2020, was as follows:

Total pension liability	\$	1,193,187
Plan fiduciary net position		<u>(1,500,140)</u>
Net pension liability (asset)	\$	<u><u>(306,953)</u></u>
Plan fiduciary net position as percentage of total pension liability		125.73%

The total pension liability (asset) was determined by an actuarial valuation as of October 1, 2019, with a measurement date of September 30, 2020, using the following actuarial assumptions to all measurement periods.

Inflation		2.77%
Salary increases		4.00%
Discount rate		7.00%

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(10) **Employees' Retirement Plans:** (Continued)

Mortality rates for the Plan were based on the PUB-2010 Headcount-Weighted Healthy Retiree Mortality Table for public safety employees, with full generational improvements in mortality using Scale MP-2018.

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

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Core Bonds	15.0%	1.60%
Core Plus	15.0%	2.10%
U.S. Large Cap Equity	34.0%	4.60%
U.S. Small Cap Equity	11.0%	5.50%
Non-U.S. Equity	15.0%	6.70%
Core Real Estate	10.0%	5.00%
Total	100.0%	4.23%

Discount rate:

The discount rate used to measure the total pension liability for the pension plan was 7.00%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(10) **Employees' Retirement Plans:** (Continued)

Changes in net pension liability:

Changes in the plan's net pension liability were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a - b)
Beginning Balance	\$ 1,116,875	\$ 1,429,335	\$ (312,460)
Changes for year:			
Service cost	37,261	-	37,261
Interest	79,336	-	79,336
Differences between expected/actual experience	1,827	-	1,827
Assumption changes	-	-	-
Contributions – employer/state	-	26,059	(26,059)
Contributions – employee	-	1,573	(1,573)
Net investment income	-	91,883	(91,883)
Benefit payments, including refunds	(42,112)	(42,112)	-
Administrative expenses	-	(6,598)	6,598
Net changes	<u>76,312</u>	<u>70,805</u>	<u>5,507</u>
Ending Balance	<u>\$ 1,193,187</u>	<u>\$ 1,500,140</u>	<u>\$ (306,953)</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

City's Net Pension Liability (Asset)	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Municipal Police Officers' Retirement Trust Fund	\$ (144,529)	\$ (306,953)	\$ (441,191)

Money-weighted rate of return:

For the year ended September 30, 2020, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was as follows:

Annual money-weighted rate of return 7.21%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(10) **Employees' Retirement Plans:** (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$11,844 in the Plan.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,113	\$ (21,884)
Changes of assumptions	19,452	(9,610)
Net different between projected and actual investment earnings	2,491	-
	\$ 98,056	\$ (31,494)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2021	\$	(6,812)
2022		7,865
2023		9,189
2024		8,209
2025		8,450
Thereafter		39,661
Total	\$	66,562

(11) **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; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

(12) **Contingencies:**

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is involved in various legal proceedings incidental to the conduct of its affairs. It is the City's policy to accrue for amounts related to these legal matters if it is possible that a liability has been incurred and an amount is reasonably estimable. At September 30, 2020, no amounts have been accrued.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City’s financial statements:

- (a) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019.
- (b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2020

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Total Pension Liability						
Service cost	\$ 37,261	\$ 36,021	\$ 35,330	\$ 27,860	\$ 25,732	\$ 23,991
Interest	79,336	75,715	72,118	66,835	55,997	51,961
Differences between expected and actual experience	1,827	(3,941)	(14,612)	(20,254)	109,621	(2,118)
Assumption changes	-	(15,196)	-	35,664	-	-
Benefit payments	(42,112)	(42,112)	(42,112)	(42,112)	(31,754)	(10,022)
Net change in total pension liability	<u>76,312</u>	<u>50,487</u>	<u>50,724</u>	<u>67,993</u>	<u>159,596</u>	<u>63,812</u>
Total pension liability – beginning	1,116,875	1,066,388	1,015,664	947,671	788,075	724,263
Total pension liability – ending (a)	<u>\$ 1,193,187</u>	<u>\$ 1,116,875</u>	<u>\$ 1,066,388</u>	<u>\$ 1,015,664</u>	<u>\$ 947,671</u>	<u>\$ 788,075</u>
Total Fiduciary Net Position						
Contributions – employer/state	\$ 26,059	\$ 20,617	\$ 28,215	\$ 21,127	\$ 31,182	\$ 14,745
Change in excess state money	-	-	-	-	148,696	-
Contributions – employee	1,573	1,318	1,812	1,338	1,194	1,562
Net investment income (loss)	91,883	73,193	96,697	154,813	89,248	350
Benefit payments	(42,112)	(42,112)	(42,112)	(42,112)	(31,754)	(10,022)
Administrative expense	(6,598)	(6,501)	(6,461)	(6,757)	(8,431)	(8,015)
Net change in plan fiduciary net position	<u>70,805</u>	<u>46,515</u>	<u>78,151</u>	<u>128,409</u>	<u>230,135</u>	<u>(1,380)</u>
Plan fiduciary net position – beginning	1,429,335	1,382,820	1,304,669	1,176,260	946,125	947,505
Plan fiduciary net position – ending (b)	<u>\$ 1,500,140</u>	<u>\$ 1,429,335</u>	<u>\$ 1,382,820</u>	<u>\$ 1,304,669</u>	<u>\$ 1,176,260</u>	<u>\$ 946,125</u>
Net pension liability – ending (a) - (b)	<u>\$ (306,953)</u>	<u>\$ (312,460)</u>	<u>\$ (316,432)</u>	<u>\$ (289,005)</u>	<u>\$ (228,589)</u>	<u>\$ (158,050)</u>
Plan fiduciary net position as percentage of total pension liability	125.73%	127.98%	129.67%	128.45%	124.12%	120.06%
Covered payroll	\$ 166,229	\$ 160,347	\$ 155,218	\$ 124,155	\$ 119,879	\$ 119,534
Net pension liability as a percentage of covered payroll	-184.66%	-194.86%	-203.86%	-232.78%	-190.68%	-132.22%

*10 years of data will be presented as it becomes available.

CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2020

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Excess (Deficiency)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 26,713	\$ 26,059	\$ (654)	\$ 166,229	15.68%
2019	25,094	20,617	(4,477)	160,347	12.86%
2018	33,155	28,215	(4,940)	155,218	18.18%
2017	31,251	21,127	(10,124)	124,155	17.02%
2016	27,469	179,878	152,409	119,879	150.05%
2015	7,203	14,745	7,542	119,534	12.34%
2014	24,900	6,873	(18,027)	157,302	4.37%
2013	23,542	22,356	(1,186)	160,017	13.97%
2012	38,115	45,814	7,699	N/A	N/A
2011	37,117	52,690	15,573	150,291	35.06%

Notes to Schedule:

Valuation Date: October 1, 2019
Measurement Date: September 30, 2020

Actuarial Assumptions

Funding Method: Aggregate Method (Level Dollar)
Amortization Method: Level Dollar
Remaining Amortization Period: 30 years
Asset Valuation Method: Market value
Discount Rate: 7.0% per year, compounded annually, net of investment related expenses.
Inflation: 2.77% per year
Salary Increases: 4.0% per year
Cost-of-living Increases: None assumed.
Mortality: Sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB
Retirement Age: Assumed retirement at normal age.
Termination Rates: None assumed.
Disability Rates: None assumed.

**CITY OF LAKE HELEN, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
 SEPTEMBER 30, 2020**

For the Year Ending	Annual Money- Weighted Rate of Return
9/30/2020	7.21%
9/30/2019	5.99%
9/30/2018	8.45%
9/30/2017	15.42%
9/30/2016	9.61%
9/30/2015	-0.04%
9/30/2014	10.10%

*10 years of data will be presented as it becomes available.

CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY - FRS/HIS
SEPTEMBER 30, 2020

	As of the Plan Year Ended June 30,					
	2020	2019	2018	2017	2016	2014
Florida Retirement System (FRS)						
Proportion of the net pension liability (NPL)	0.001471374%	0.001474351%	0.001657343%	0.001879676%	0.001907692%	0.001662429%
Proportionate share of the net pension liability	\$ 637,715	\$ 507,746	\$ 499,200	\$ 555,996	\$ 481,694	\$ 214,725
Covered payroll	535,395	517,529	580,170	589,518	555,746	508,097
Proportionate share of the net pension liability as a percentage of covered payroll	119.11%	98.11%	86.04%	94.31%	86.68%	42.26%
Plan fiduciary net position as a percentage of the total pension	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)						
Proportion of the net pension liability	0.001542302%	0.001547116%	0.001775913%	0.001787584%	0.001737530%	0.001657310%
Proportionate share of the net pension liability	\$ 188,313	\$ 173,107	\$ 187,965	\$ 191,137	\$ 202,502	\$ 169,020
Covered payroll	535,395	517,529	580,170	589,518	555,746	508,097
Proportionate share of the net pension liability as a percentage of covered payroll	35.17%	33.45%	32.40%	32.42%	36.44%	33.27%
Plan fiduciary net position as a percentage of the total pension	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

* GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available

**CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - FRS/HIS
SEPTEMBER 30, 2020**

	As of the Plan Year Ended June 30,						
	2020	2019	2018	2017	2016	2014	2013
Florida Retirement System (FRS)							
Contractually required contributor	\$ 48,887	\$ 45,716	\$ 47,233	\$ 53,896	\$ 53,144	\$ 47,227	\$ 52,288
Contributions in relation to the contractually required contributor	48,887	45,716	47,233	53,896	53,144	206,890	206,890
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (159,663)</u>	<u>\$ (154,602)</u>
Covered payroll	\$ 535,395	\$ 517,529	\$ 580,170	\$ 589,518	\$ 555,746	\$ 508,097	\$ 609,282
Contributions as a percentage of covered payroll	9.13%	8.83%	8.14%	9.14%	9.56%	9.29%	8.58%
Health Insurance Subsidy Program (HIS)							
Contractually required contributor	\$ 8,888	\$ 8,591	\$ 9,631	\$ 9,789	\$ 9,225	\$ 6,402	\$ 7,311
Contributions in relation to the contractually required contributor	8,888	8,591	9,631	9,789	9,225	32,711	32,711
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,309)</u>	<u>\$ (25,400)</u>
Covered payroll	\$ 535,395	\$ 517,529	\$ 580,170	\$ 589,518	\$ 555,746	\$ 508,097	\$ 609,282
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.20%

* GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.



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

Honorable Mayor and City Commission
City of Lake Helen, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lake Helen as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Lake Helen’s basic financial statements, and have issued our report thereon dated January 29, 2021. Our report includes a qualified opinion on governmental activities, business-type activities and the Water Utility Fund due to not implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lake Helen’s internal control over financial reporting (internal control) as a basis for designing 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 Lake Helen’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lake Helen’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 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 Lake Helen’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McDiarmid Davis

Orlando, Florida
January 29, 2021



MANAGEMENT LETTER

Honorable Mayor and City Commission
City of Lake Helen, Florida

Report on the Financial Statements

We have audited the financial statements of the City of *Lake Helen, Florida*, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated January 29, 2021, which includes a qualified opinion on governmental activities, business-type activities and Water Utility Fund.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 29, 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 and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Lake Helen, Florida. It is management's responsibility to monitor the City of Lake Helen, 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.

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commission, 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
January 29, 2021



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

The Honorable Mayor and City Commission
City of Lake Helen, Florida

We have examined City of Lake Helen's (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 Lake Helen complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

McDermitt Davis

Orlando, Florida
January 29, 2021

IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Zach Chalifour, who being duly sworn, deposes and says on oath that:

- 1. I am the Chief Financial Officer of the City of Lake Helen, Florida which is a local governmental entity of the State of Florida;
- 2. The City of Lake Helen, Florida adopted Resolution No. 98-7 implementing an impact fee; and
- 3. The City of Lake Helen, Florida has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.



 Zach Chalifour

STATE OF FLORIDA
COUNTY OF VOLUSIA

SWORN TO AND SUBSCRIBED before me this 29 day of January, 2021.



 NOTARY PUBLIC
 Print Name Jennifer E. Strand

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires:

02/23/2023

State of Florida County of Alachua
 The foregoing instrument was acknowledged before me
 via physical presence OR online notarizations
 this 29 day of JAN, 2021.
 By Zach Chalifour
 Personally known OR produced identification _____
 Type of identification produced _____
Jennifer E. Strand
 JENNIFER E. STRAND, Notary Public
 My Commission Expires February 23, 2023