



CITY OF MULBERRY, FLORIDA

FINANCIAL STATEMENTS

September 30, 2020

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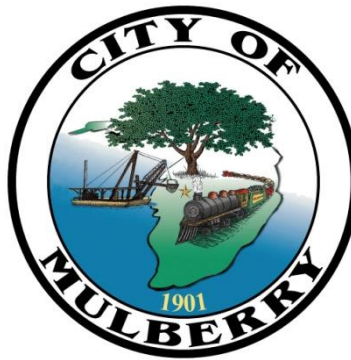
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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Mulberry, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of City of Mulberry, 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

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

Auditor's Responsibility

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

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

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

Opinion

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

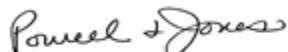
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of the City of Mulberry, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mulberry, Florida's internal control over financial reporting and compliance.



POWELL & JONES

Certified Public Accountants

January 28, 2021

CITY OF MULBERRY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

As management of the City of Mulberry, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 10.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,612,449 (net position). Of this amount, a negative \$82,275 is reported as unrestricted net position deficit.
- The government's total net position decreased by \$247,557 during the year ended September 30, 2020.
- As of the close of the current fiscal year, the City's general fund (governmental fund level) reported ending fund balance of \$1,481,736. Of this total amount, \$862,926 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by private-sector business in that revenue is recognized when earned or established criteria are satisfied, and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

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, maintenance, law enforcement, community redevelopment and culture and recreation. The business-type activities of the City include the water, sewer, sanitation and the stormwater management departments.

The government-wide financial statements can be found by referencing the table of contents of this report.

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the City, rather than reporting on the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the 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. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains two separate governmental funds, the general fund and the community redevelopment agency special revenue fund. 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 and the community redevelopment agency special revenue fund.

The basic governmental fund financial statements can be found by referencing the table of contents of this report.

Proprietary funds: The City utilizes one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City used an enterprise fund to account for its water, sewer, sanitation and stormwater management department. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found by referencing the table of contents of this report.

All of the City's funds are considered major funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found by referencing the table of contents of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund and community redevelopment agency special revenue funds' budgetary comparisons and the schedule of changes in the total other post-employment benefits (OPEB) liability and related ratios. Required supplementary information can be found by referencing the table of contents of this report.

Government-wide Financial Analysis

The following is a summary of the information presented in the Statement of Net Position on page 10 of this report.

Statement of Net Position (Summary)						
as of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Current and other assets	\$ 3,785,305	\$ 1,807,721	\$ 2,375,195	\$ 2,344,267	\$ 6,160,500	\$ 4,151,988
Capital assets	<u>3,556,919</u>	<u>2,810,651</u>	<u>16,037,203</u>	<u>16,110,578</u>	<u>19,594,122</u>	<u>18,921,229</u>
Total assets	<u>7,342,224</u>	<u>4,618,372</u>	<u>18,412,398</u>	<u>18,454,845</u>	<u>25,754,622</u>	<u>23,073,217</u>
Deferred outflows	<u>320,654</u>	<u>11,825</u>	<u>144,177</u>	<u>5,317</u>	<u>464,831</u>	<u>17,142</u>
Liabilities						
Long-term liabilities	4,250,780	1,559,040	9,711,113	9,167,872	13,961,893	10,726,912
Other liabilities	<u>433,626</u>	<u>291,965</u>	<u>1,211,485</u>	<u>1,211,476</u>	<u>1,645,111</u>	<u>1,503,441</u>
Total liabilities	<u>4,684,406</u>	<u>1,851,005</u>	<u>10,922,598</u>	<u>10,379,348</u>	<u>15,607,004</u>	<u>12,230,353</u>
Net position						
Net investment in capital assets	2,944,983	2,765,095	6,639,701	7,208,568	9,584,684	9,973,663
Restricted	655,643	479,279	454,397	398,117	1,110,040	877,396
Unrestricted	<u>(622,154)</u>	<u>(465,182)</u>	<u>539,879</u>	<u>474,129</u>	<u>(82,275)</u>	<u>8,947</u>
Total net position	<u>\$ 2,978,472</u>	<u>\$ 2,779,192</u>	<u>\$ 7,633,977</u>	<u>\$ 8,080,814</u>	<u>\$ 10,612,449</u>	<u>\$ 10,860,006</u>

The largest portion of the City's net position, \$9,584,684 reflects its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$1,110,040 represents resources that are subject to external restrictions on how they may be used and are reported as restricted net position.

At the end of the current fiscal year, the City reported a negative unrestricted net position in the governmental activities of \$622,154 and a positive unrestricted net position of \$539,879 for the business-type activities for a total unrestricted net position of the primary government of a negative \$82,275.

Statement of Activities (Summary) For the year ended September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 465,614	\$ 511,732	\$ 3,325,368	\$ 3,483,460	\$ 3,790,982	\$ 3,995,192
Operating grants and contributions	33,551	19,882	-	-	33,551	19,882
Capital grants and contributions	147,351	243,003	86,390	32,085	233,741	275,088
<i>General revenues:</i>						
Taxes	3,007,277	2,901,303	-	-	3,007,277	2,901,303
Intergovernmental	419,063	430,921	-	-	419,063	430,921
Other	54,051	36,949	-	338	54,051	37,287
Total revenues	4,126,907	4,143,790	3,411,758	3,515,883	7,538,665	7,659,673
Expenses:						
General government	1,431,950	1,540,029	-	-	1,431,950	1,540,029
Building and zoning	245,998	-	-	-	245,998	-
Law enforcement	1,233,859	1,193,380	-	-	1,233,859	1,193,380
Maintenance	933,029	943,707	-	-	933,029	943,707
Culture/recreation	768,881	732,464	-	-	768,881	732,464
Community redevelopment	19,486	16,307	-	-	19,486	16,307
Interest on long-term debt	44,424	687	-	-	44,424	687
Water	-	-	829,793	845,710	829,793	845,710
Sewer	-	-	1,322,985	1,234,333	1,322,985	1,234,333
Sanitation	-	-	766,559	763,101	766,559	763,101
Stormwater	-	-	189,258	190,309	189,258	190,309
Total expenses	4,677,627	4,426,574	3,108,595	3,033,453	7,786,222	7,460,027
Transfers in (out)	750,000	750,000	(750,000)	(750,000)	-	-
Change in Net Position	199,280	467,216	(446,837)	(267,570)	(247,557)	199,646
Net position - October 1	2,779,192	2,311,976	8,080,814	8,348,384	10,860,006	10,660,360
Net position - September 30	<u>\$ 2,978,472</u>	<u>\$ 2,779,192</u>	<u>\$ 7,633,977</u>	<u>\$ 8,080,814</u>	<u>\$ 10,612,449</u>	<u>\$ 10,860,006</u>

Governmental activities: Governmental activities' change in net position for 2020 was an increase of \$199,280 as compared to an increase of \$467,216 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue decreased by \$16,833 or less than 1 percent.
- Total expenses increased by \$251,053 or 6% mainly due to the following:
 - Approximately \$45,000 increase in wages and a \$40,000 increase in retirement plan contributions.
 - Approximately \$100,000 increase in building and zoning costs due to increased construction related activity within the City.
- Transfer from the business-type activities was \$750,000 in 2020 and 2019.

CITY OF MULBERRY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

Business-type activities: Business-type activities' change in net position for 2020 was a decrease of \$446,837 as compared to a decrease of \$267,570 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue decreased by \$104,125 or 3%.
 - Charges for services program revenue decreased by \$158,092 or 5% mainly due to decreased tap fees for water and sewer segments due to decreased in new customers connecting to these utility systems compared to the prior year.
- Total expenses increased by \$75,142 or 2%.
- The transfer to the governmental activities was \$750,000 in 2020 and 2019.

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the City's general fund reported ending fund balances of \$1,481,736 an increase of \$218,921 in comparison with the previously reported balance in the prior year. Of this total, \$862,926 constitutes unassigned fund balance, which is available for spending at the government's discretion and which represents 20% of the 2020 general fund expenditures. The remainder of fund balance restricted by enabling legislation or contract and can only be spent on the purposes for which it is intended.

Activity during the current fiscal year included the following key components:

- Total general fund revenues decreased by \$161,717 or 4% mainly due to a \$41,000 decrease in fines and forfeitures, \$87,478 decrease in intergovernmental revenues and a \$35,895 decrease in licenses and permits.
- Total general fund expenditures decreased by approximately \$3,400 or less than 1%.

This was the third year of operation of the City's community redevelopment agency special revenue fund. More information on the community redevelopment special revenue fund can be found on pages 12 through 15 and on page 43 of this report.

Proprietary funds: The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The major changes between 2020 and 2019 are discussed above under the "business-type activities" heading.

General Fund Budgetary Highlights

Actual resources were greater than budgeted resources by \$131,476 and actual charges to appropriations were \$47,725 less than budgeted resulting in an overall favorable budget variance of \$179,201. The general fund budget was amended to increase budgeted resources by \$34,400 or 1% and budgeted outflows were increased by \$34,400 or 1%.

CITY OF MULBERRY**MANAGEMENT'S DISCUSSION AND ANALYSIS**

September 30, 2020

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$19,594,122 (net of accumulated depreciation) which is an increase of approximately 9%. This increase is the result of current year additions in excess of depreciation expense.

Information on the City's capital assets is summarized in the following table.

Capital Assets Activity (net of depreciation) as of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 313,610	\$ 313,610	\$ 183,073	\$ 183,073	\$ 496,683	\$ 496,683
Buildings and improvements	1,751,314	1,839,816	-	-	1,751,314	1,839,816
Artifacts	54,000	54,000	-	-	54,000	54,000
Water and sewer system	-	-	14,289,026	11,404,949	14,289,026	11,404,949
Stormwater system	-	-	38,280	40,935	38,280	40,935
Machinery and equipment	188,770	221,777	520,139	603,086	708,909	824,863
Construction in progress	1,249,225	381,448	1,006,685	3,878,535	2,255,910	4,259,983
Total	<u>\$ 3,556,919</u>	<u>\$ 2,810,651</u>	<u>\$ 16,037,203</u>	<u>\$ 16,110,578</u>	<u>\$ 19,594,122</u>	<u>\$ 18,921,229</u>

Additional information on the City's capital assets can be found in note 6 of the notes to the financial statements which can be found by referencing the table of contents of this report.

Long-Term Debt: As shown in the table below, the City had total long-term debt outstanding of \$10,979,607 which represents an increase of approximately 22% over the prior year.

Revenue Notes and Notes Payable as of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue notes	\$ 2,200,000	\$ 1,854	\$ 8,779,607	\$ 8,471,821	\$ 10,979,607	\$ 8,473,675
Total	<u>\$ 2,200,000</u>	<u>\$ 1,854</u>	<u>\$ 8,779,607</u>	<u>\$ 8,471,821</u>	<u>\$ 10,979,607</u>	<u>\$ 8,473,675</u>

Additional information on the City's capital assets can be found in note 7 of the notes to the financial statements which can be found by referencing the table of contents of this report.

CITY OF MULBERRY**MANAGEMENT'S DISCUSSION AND ANALYSIS**

September 30, 2020

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the following significant item will affect the 2021 fiscal year:

- The approved budget for the fiscal year 2020-2021 provides for an increase in fund balance of the general fund and an increase in net position of the enterprise fund.

This significant item was considered in preparing the City's budget for the 2021 fiscal year and is expected to influence the City's fiscal year 2021 financial results.

Requests for information

This financial report is designed to provide a general overview of the City of Mulberry, Florida, finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Mulberry, 104 S. Church Street, Mulberry, Florida 33860.

CITY OF MULBERRY, FLORIDA

Statement of Net Position

September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 787,769	\$ 1,103,207	\$ 1,890,976
Receivables, current:			
Customer accounts, net	-	356,154	356,154
Intergovernmental	120,713	-	120,713
Other	84,531	-	84,531
Internal balances	7,218	(7,218)	-
Investment	275,000	-	275,000
Inventory	-	5,807	5,807
Prepaid expenses	14,446	1,160	15,606
Restricted assets:			
Cash and cash equivalents	2,495,628	916,085	3,411,713
Capital Assets:			
Non-depreciable	1,616,835	1,189,758	2,806,593
Depreciable, net	1,940,084	14,847,445	16,787,529
TOTAL ASSETS	7,342,224	18,412,398	25,754,622
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	320,654	144,177	464,831
LIABILITIES			
Accounts payable	75,007	76,795	151,802
Accrued payroll	71,745	34,379	106,124
Construction payable	263,946	617,895	881,841
Due to other governments	6,528	7,641	14,169
Accrued interest payable	15,400	25,041	40,441
Customer deposits	1,000	449,734	450,734
Long-term obligations:			
Due within one year	220,000	384,371	604,371
Due in more than one year	4,030,780	9,326,742	13,357,522
TOTAL LIABILITIES	4,684,406	10,922,598	15,607,004
NET POSITION			
Net investment in capital assets	2,944,983	6,639,701	9,584,684
Restricted for:			
Debt service	-	201,437	201,437
Stormwater management	-	252,960	252,960
Public facility improvements	61,990	-	61,990
Building code enforcement	41,179	-	41,179
Public land improvements	31,066	-	31,066
Law enforcement training	1,056	-	1,056
Transportation expenses	469,073	-	469,073
Community redevelopment	51,279	-	51,279
Unrestricted	(622,154)	539,879	(82,275)
TOTAL NET POSITION	\$ 2,978,472	\$ 7,633,977	\$ 10,612,449

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, 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 Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 1,431,950	\$ 41,802	\$ 6,950	\$ 139,377	\$ (1,243,821)	\$ -	\$ (1,243,821)
Building and zoning	245,998	206,874	-	-	(39,124)	-	(39,124)
Law enforcement	1,233,859	13,338	-	-	(1,220,521)	-	(1,220,521)
Maintenance	933,029	37,498	-	-	(895,531)	-	(895,531)
Culture/recreation	768,881	166,102	26,601	7,974	(568,204)	-	(568,204)
Community redevelopment	19,486	-	-	-	(19,486)	-	(19,486)
Interest on long-term debt	44,424	-	-	-	(44,424)	-	(44,424)
Total governmental activities	4,677,627	465,614	33,551	147,351	(4,031,111)	-	(4,031,111)
Business-type activities							
Water utility	829,793	932,467	-	75,890	-	178,564	178,564
Sewer utility	1,322,985	1,180,094	-	10,500	-	(132,391)	(132,391)
Sanitation utility	766,559	928,710	-	-	-	162,151	162,151
Stormwater utility	189,258	284,097	-	-	-	94,839	94,839
Total business-type activities	3,108,595	3,325,368	-	86,390	-	303,163	303,163
TOTAL PRIMARY GOVERNMENT	\$ 7,786,222	\$ 3,790,982	\$ 33,551	\$ 233,741	(4,031,111)	303,163	(3,727,948)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					1,199,460	-	1,199,460
Property taxes, levied for community redevelopment					320,245	-	320,245
Franchise taxes					440,569	-	440,569
Public service taxes					644,444	-	644,444
Fuel taxes for transportation purposes					402,559	-	402,559
State shared revenue					419,063	-	419,063
Investment earnings					25,010	-	25,010
Other revenues					29,041	-	29,041
TRANSFERS					750,000	(750,000)	-
Total general revenues and transfers					4,230,391	(750,000)	3,480,391
Change in net position					199,280	(446,837)	(247,557)
NET POSITION, beginning					2,779,192	8,080,814	10,860,006
NET POSITION, end of year					\$ 2,978,472	\$ 7,633,977	\$ 10,612,449

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDA
Balance Sheet – Governmental Funds
September 30, 2020

	General Fund	Community Redevelopment Fund	Total
ASSETS			
Cash and cash equivalents	\$ 787,769	\$ 67,358	\$ 855,127
Receivables, current:			
Intergovernmental	120,713	-	120,713
Other	84,531	-	84,531
Prepaid expenditures	14,446	-	14,446
Due from enterprise fund	7,218	-	7,218
Restricted assets:			
Cash and cash equivalents	604,364	1,823,906	2,428,270
TOTAL ASSETS	\$ 1,619,041	\$ 1,891,264	\$ 3,510,305
LIABILITIES			
Accounts payable	58,032	16,975	75,007
Construction costs payable	-	263,946	263,946
Accrued payroll	71,745	-	71,745
Due to other governments	6,528	-	6,528
Deposits	1,000	-	1,000
TOTAL LIABILITIES	137,305	280,921	418,226
FUND BALANCE			
Nonspendable:			
Prepaid expenditures	\$ 14,446	\$ -	\$ 14,446
Restricted:			
Law enforcement training	1,056	-	1,056
Building code enforcement	41,179	-	41,179
Public facility improvements	61,990	-	61,990
Public land improvements	31,066	-	31,066
Transportation expenditures	469,073	-	469,073
Community redevelopment	-	1,610,343	1,610,343
Unassigned	862,926	-	862,926
TOTAL FUND BALANCE	1,481,736	1,610,343	3,092,079
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,619,041	\$ 1,891,264	\$ 3,510,305

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDAReconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
September 30, 2020

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	3,092,079
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,556,919
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Real property held for investment is not a financial resource and not reported in the funds.		275,000
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Deferred outflows of resources represent a decrease in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.		320,654
--	--	---------

Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.		(15,400)
--	--	----------

Long-term liabilities, including bonds and notes payable, compensated absences and the total other postemployment liability are not due and payable in the current period and, therefore, are not reported in the funds.		(4,250,780)
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	2,978,472
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The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDAStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
for the year ended September 30, 2020

	General Fund	Community Redevelopment Fund	Total
REVENUES:			
Taxes	\$ 2,704,077	\$ 320,245	\$ 3,024,322
Licenses and permits	342,893	-	342,893
Intergovernmental revenue	422,948	-	422,948
Charges for services	233,592	-	233,592
Fines and forfeitures	31,225	-	31,225
Other	47,607	-	47,607
Total revenues	3,782,342	320,245	4,102,587
EXPENDITURES:			
Current:			
General government	1,274,865	-	1,274,865
Public safety	1,467,680	-	1,467,680
Maintenance	679,625	-	679,625
Culture/recreation	610,699	-	610,699
Economic environment	-	38,169	38,169
Capital outlay	278,673	845,674	1,124,347
Debt service			
Principal	1,854	-	1,854
Interest	25	-	25
Debt issuance costs	-	29,000	29,000
Total expenditures	4,313,421	912,843	5,226,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(531,079)	(592,598)	(1,123,677)
OTHER FINANCING SOURCES (USES)			
Transfers in	750,000	-	750,000
Debt proceeds	-	2,200,000	2,200,000
Total other financing sources (uses)	750,000	2,200,000	2,950,000
NET CHANGE IN FUND BALANCE	218,921	1,607,402	1,826,323
FUND BALANCE, beginning of year	1,262,815	2,941	1,265,756
FUND BALANCE, end of year	\$ 1,481,736	\$ 1,610,343	\$ 3,092,079

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
for the year ended September 30, 2020

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,826,323

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount of capital assets recorded in the current period 931,689

This is the amount of depreciation recorded in the current period (184,741)

This is the book value of capital assets disposed in the current period (680)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

This is the increase in the fair value of the City's investment in real property. 25,000

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

This is the repayment of bond principal reported as an expenditure in governmental funds 1,854

This is the current year proceeds from borrowing. (2,200,000)

This is the change in accrued interest payable on long-term debt. (15,400)

Other postemployment benefit (OPEB) expense is reported in the statement of activities which differs from OPEB expenditures as report in the governmental funds:

This amount represents the change in deferred outflows related to OPEB 308,829

This amount represents the change in the total OPEB liability (484,592)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

This is the change in accrued compensated absences during the year (9,002)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 199,280

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDA

Statement of Net Position – Proprietary Fund

September 30, 2020

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,103,207
Customer accounts receivable, net	356,154
Inventory	5,807
Prepaid expenses	1,160
Total current assets	<u>1,466,328</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	916,085
Capital assets:	
Non-depreciable	1,189,758
Depreciable, net	14,847,445
Total noncurrent assets	<u>16,953,288</u>
TOTAL ASSETS	<u>18,419,616</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	<u>144,177</u>
LIABILITIES	
Current liabilities:	
Accounts payable	76,795
Construction payable	617,895
Accrued payroll	34,379
Due to general fund	7,218
Due to other governments	7,641
Bonds and notes payable, current	384,371
Total current liabilities	<u>1,128,299</u>
Noncurrent liabilities:	
Compensated absences	55,098
Liabilities payable from restricted assets:	
Accrued interest payable	25,041
Customer deposits	449,734
OPEB liability payable	876,408
Bonds and notes payable, noncurrent portion	8,395,236
Total noncurrent liabilities	<u>9,801,517</u>
TOTAL LIABILITIES	<u>10,929,816</u>
NET POSITION	
Net investment in capital assets	6,639,701
Restricted for:	
Debt service	201,437
Stormwater management	252,960
Unrestricted	539,879
TOTAL NET POSITION	<u>\$ 7,633,977</u>

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDAStatement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
for the year ended September 30, 2020

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	
Water charges	\$ 932,467
Sewer charges	1,180,094
Sanitation charges	928,710
Stormwater charges	284,097
Total operating revenues	<u>3,325,368</u>
OPERATING EXPENSES:	
Personnel services	913,427
Operating expenses	1,261,955
Depreciation	750,900
Total operating expenses	<u>2,926,282</u>
OPERATING INCOME	<u>399,086</u>
NONOPERATING REVENUE (EXPENSE)	
Interest expense	(189,500)
Other nonoperating expense, net	7,187
Total nonoperating revenues (expense)	<u>(182,313)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>216,773</u>
CAPITAL CONTRIBUTIONS	
Capacity fees	86,390
Total capital contributions	<u>86,390</u>
TRANSFERS IN (OUT)	
Transfer to general fund	(750,000)
Total transfers	<u>(750,000)</u>
CHANGE IN NET POSITION	<u>(446,837)</u>
NET POSITION, beginning	<u>8,080,814</u>
NET POSITION, end of year	<u><u>\$ 7,633,977</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDAStatement of Cash Flows – Proprietary Fund
for the year ended September 30, 2020

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 3,377,481
Payments to suppliers	(1,512,550)
Payments for salaries and benefits	(794,041)
Other payments	7,187
Net cash flows from operating activities	<u>1,078,077</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(750,000)
Net cash flows from noncapital financing activities	<u>(750,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(489,819)
Loan proceeds	1,370,445
Principal paid on long-term debt	(362,856)
Interest paid on borrowings	(192,854)
Impact fees received	86,390
Net cash flows from capital and related financing activities	<u>411,306</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>739,383</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,279,909</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,019,292</u></u>
As shown in the Accompanying Financial Statements	
Cash and cash equivalents	\$ 1,103,207
Restricted cash and cash equivalents	916,085
Total cash and cash equivalents	<u><u>\$ 2,019,292</u></u>
Noncash financing and investing activities:	
None	<u><u>\$ -</u></u>

.... Continued

The accompanying notes are an integral part of these financial statements

CITY OF MULBERRY, FLORIDA

Statement of Cash Flows – Proprietary Fund - concluded
for the year ended September 30, 2020

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$	399,086
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		750,900
Nonoperating payments reported as operating cash flows		7,187
(Increase) decrease in accounts receivable		27,674
(Increase) decrease in due from general fund		(25,601)
(Increase) decrease in deferred outflows related to pensions		(138,860)
(Increase) decrease in prepaid expenses		6,579
Increase (decrease) in amounts due to other governments		1,489
Increase (decrease) in customer deposits		24,439
Increase (decrease) in accounts payable		(226,483)
Increase (decrease) in OPEB liability		217,890
Increase (decrease) in accrued wages and comp absences		33,777
Net cash flows from operating activities	\$	<u>1,078,077</u>

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The City of Mulberry, Florida (the "City") is a Municipal Corporation incorporated in 1901 under the laws of Florida, Chapter 63-1665. The Charter was amended most recently by referendum on April 3, 2007. The City operates under a commission-city manager form of government. These financial statements include all of the funds, organizations, agencies, and departments of the City (the "primary government") and any "legally separate entities ("component units") required by U.S. GAAP to be included in the reporting entity.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Criteria for determining if other entities are potential component units of the City which should be reported with the City's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. A blended component unit, although legally separate, is in substance part of the City's operations and presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds are combined with those of the primary government for financial reporting purposes.

Based on these criteria, the financial reporting entity does not include or exclude any component units.

The financial reporting entity does not include the assets of the employee defined contribution pension plan, which were determined not to be assets of the City.

B. BASIS OF PRESENTATION

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. The City has no fiduciary funds, however, if it did they would be excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - 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, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Cod. Sec 2200 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. Non-major funds by category are summarized into a single column. Due to the City's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements.

The following fund types and funds are used and reported by the City:

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

- **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Community Redevelopment Agency** (the "CRA") was created by City Ordinance 5-2015 pursuant to Florida Statutes chapter 163. In order to comply with the audit requirements of Section 163.387(8), Florida Statutes, the City electively added the CRA as a major fund. The purpose of the CRA is to eliminate and prevent the spread of blight throughout the redevelopment area. The CRA receives the incremental ad valorem taxes generated in future years by the increase in property values in the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The CRA's Board members consist of the City Commission.

Proprietary Funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, overall financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing sanitation, potable water, stormwater management and, sewer collection, treatment and disposal to area residents.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses 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 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 claims and judgments, are recorded only when payment is due.

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions are reported as liabilities until the eligibility requirements (excluding time requirements) are met and as deferred inflows if received before time requirements are met and all other eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The proprietary fund is reported using the *economic measurement* focus and the *accrual basis of accounting*. Proprietary fund operating revenues generally result from producing and providing sanitation, potable water, stormwater management and, sewer collection, treatment and disposal services to area residents. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

CASH AND CASH EQUIVALENTS – Includes all bank demand deposits, certificates of deposit, money-market and savings accounts and all short-term highly liquid investment securities with a maturity of three months or less when purchased. At September 30, 2020, all of the City's cash and investments met this definition.

RECEIVABLES - The City accrues the unbilled service of its enterprise fund which represents the estimated value of service from the last billing date to year end and totaled \$130,131 at September 30, 2020. A reserve for doubtful accounts is maintained in the enterprise fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2020, the reserve for uncollectible accounts totaled \$222,259.

INTERFUND BALANCES - To the extent any current interfund balances exist, management anticipates that they will be settled in cash as opposed to a permanent transfer.

INVENTORY - Enterprise fund inventories are valued at the lower of cost or market determined on a first-in, first-out basis.

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure, and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system) acquired prior to October 1, 2003, have not been reported. Capital assets are defined by City policy as personal or real property or improvements with an individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased and at acquisition value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	10-40
Machinery and equipment	5-15

RESTRICTED ASSETS - Include cash and investments that are legally restricted to specific uses by external parties or enabling legislation. The City generally uses restricted resources first when an expenditure/expense is incurred for which both restricted and unrestricted resources are available.

INTEREST COSTS - Interest costs are capitalized when incurred on debt the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2020.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure). The City has recognized deferred outflows of resources for its total OPEB liability based on the actuarial valuation that was performed. See Note 10 for additional information regarding the City's OPEB liability.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reported no deferred inflows of resources on September 30, 2020.

LONG-TERM OBLIGATIONS – In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

COMPENSATED ABSENCES – The City personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. The liability for these compensated absences is recorded as long-term in the government wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

INTERFUND TRANSFERS – Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

CONNECTION FEES AND CAPACITY FEES – Water connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Capacity fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid capacity fees received, which reserve capacity in the City’s future water facilities, are reported as capital contributions when the requirements of the Developer agreements are met by the City.

EQUITY CLASSIFICATIONS –

Government-wide Statements – The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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

Fund Statements – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the City's circumstances. The following classifications describe the relative strength of the spending constraints:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed — amounts constrained to specific purposes by formal action (ordinance) of the City using its highest level of decision making authority (the City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City Commission takes the same highest level action (ordinance) to remove or change the constraint.

Assigned — amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. The City Commission has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.

Unassigned — all other spendable amounts.

The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

USE OF ESTIMATES – The preparation of the basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

NOTE 2 – PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special districts and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2020 was 6.44.

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal 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.

NOTE 3 – BUDGETARY LAW AND PRACTICE

The budget is adopted by resolution on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City policy establishes the legal level of budgetary control at the fund level for the general fund and the enterprise fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the City Commission; however, any revisions that alter the total expenditure of any fund must be approved by resolution. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes. These differences are usually not significant for the governmental funds, however they are for the enterprise fund as the budget includes capital outlay and debt principal repayments as expenses and does not include depreciation.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions – the City had no material violations of finance legal and contractual provisions.

Deficit Fund Balance or Net Position of Individual Funds – as of September 30, 2020, no individual fund had a deficit fund balance or net position deficit.

Excess of Expenditures Over Budget Appropriations in Individual Funds – for the year ended September 30, 2020, no budgetary fund had an excess of expenditures over appropriations.

NOTE 5 – DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS – The City’s deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the Chief Financial Officer, State of Florida (the “CFO”) in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the CFO will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

INVESTMENTS – The types of investments in which the City may invest are governed by section 218.415, Florida Statutes. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments.

The captions on the government-wide statement of net position for “cash and cash equivalents”, both restricted and unrestricted, are summarized below. There were no investment securities maintained during the year.

Cash and cash equivalents:

Cash on hand	\$	860
Deposits in financial institutions:		
Insured or fully collateralized bank deposits		<u>5,301,829</u>
Total cash and cash equivalents	\$	<u><u>5,302,689</u></u>

The City has no policy regarding custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk.

INVESTMENT IN REAL PROPERTY – The City owns a parcel of land that is reported as an investment in accordance with GASB Cod. Sec. 150. The City categorizes its fair value measures within the fair value hierarchy established by general GASB Cod. Sec. 3100. The hierarchy is based on the valuation inputs to measure fair value of the asset. The City’s investment in real property is reported at a fair value of \$275,000 at September 30, 2020. This value was determined by an analysis of the property by a real estate professional which is considered a Level 3 input based upon the fair value hierarchy.

CITY OF MULBERRY, FLORIDA
Notes to Financial Statements
for the year ended September 30, 2020

NOTE 6 – CAPITAL ASSETS

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

	Balance October 1, 2019	Transfers	Increases	Decreases	Balance September 30, 2020
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 313,610	\$ -	\$ -	\$ -	\$ 313,610
Artifacts	54,000	-	-	-	54,000
Construction-in-progress	381,448	-	867,777	-	1,249,225
Total capital assets, not being depreciated	749,058	-	867,777	-	1,616,835
Capital assets, being depreciated:					
Buildings & improvement	3,767,709	-	32,798	-	3,800,507
Machinery and equipment	856,141	-	31,114	(111,331)	775,924
Total capital assets, being depreciated	4,623,850	-	63,912	(111,331)	4,576,431
Less accumulated depreciation for:					
Buildings & improvement	(1,927,893)	-	(121,300)	-	(2,049,193)
Machinery and equipment	(634,364)	-	(63,441)	110,651	(587,154)
Total accumulated depreciation	(2,562,257)	-	(184,741)	110,651	(2,636,347)
Total capital assets being depreciated, net	2,061,593	-	(120,829)	(680)	1,940,084
Governmental activities capital assets, net	\$ 2,810,651	\$ -	\$ 746,948	\$ (680)	\$ 3,556,919
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 183,073	\$ -	\$ -	\$ -	\$ 183,073
Construction-in-progress	3,878,535	(3,525,377)	653,527	-	1,006,685
Total capital assets, not being depreciated	4,061,608	(3,525,377)	653,527	-	1,189,758
Capital assets, being depreciated:					
Water and sewer system	18,850,289	3,525,377	-	-	22,375,666
Stormwater system	53,105	-	-	-	53,105
Equipment	2,249,857	-	23,998	(55,672)	2,218,183
Total capital assets, being depreciated	21,153,251	3,525,377	23,998	(55,672)	24,646,954
Less accumulated depreciation for:					
Water and sewer system	(7,445,340)	-	(641,300)	-	(8,086,640)
Stormwater system	(12,170)	-	(2,655)	-	(14,825)
Equipment	(1,646,771)	-	(106,945)	55,672	(1,698,044)
Total accumulated depreciation	(9,104,281)	-	(750,900)	55,672	(9,799,509)
Total capital assets being depreciated, net	12,048,970	3,525,377	(726,902)	-	14,847,445
Business-type activities capital assets, net	\$ 16,110,578	\$ -	\$ (73,375)	\$ -	\$ 16,037,203

NOTE 6 – CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	59,310
Law enforcement		12,178
Maintenance		46,033
Culture/recreation		67,220
		<hr/>
Total depreciation expense - governmental activities	\$	<u>184,741</u>

Business-type Activities:

Water	\$	309,461
Sewer		436,109
Stormwater		5,330
		<hr/>
Total depreciation expense - business-type activities	\$	<u>750,900</u>

NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2020:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term liabilities:					
Bonds and notes payable:					
Series 2012 Revenue Note	\$ 1,854	\$ -	\$ (1,854)	\$ -	\$ -
Series 2020 Revenue Note	-	2,200,000	-	2,200,000	220,000
Total bonds and notes payable:	1,854	2,200,000	(1,854)	2,200,000	220,000
Other postemployment benefit obligation	1,464,559	484,592	-	1,949,151	-
Compensated absences	92,627	140,700	(131,698)	101,629	-
Total long-term liabilities	\$ 1,559,040	\$ 2,825,292	\$ (133,552)	4,250,780	\$ 220,000
Less amounts due in one year				(220,000)	
Net long-term liabilities in excess of one year				\$ 4,030,780	
<u>Business-type Activities:</u>					
Long-term liabilities:					
Bonds and notes payable:					
WW770050 installment note to FDEP	\$ 1,241,443	\$ -	\$ (81,899)	\$ 1,159,544	\$ 83,962
DW531200 installment note to FDEP	131,671	-	(5,149)	126,522	5,253
DW531210 installment note to FDEP	113,917	117,731	(13,136)	218,512	13,142
Revenue bonds, series 2015	3,520,300	-	(58,226)	3,462,074	59,973
Revenue refunding note, series 2013	1,113,000	-	(200,000)	913,000	212,000
WW770060 installment note to FDEP	207,798	-	(4,446)	203,352	10,041
WW770063 installment note to FDEP	2,143,692	552,911	-	2,696,603	-
Total bonds and notes payable	8,471,821	670,642	(362,856)	8,779,607	384,371
Other postemployment benefit obligation	658,518	217,890	-	876,408	-
Compensated absences	37,533	67,486	(49,921)	55,098	-
Total long-term liabilities	\$ 9,167,872	\$ 956,018	\$ (412,777)	9,711,113	\$ 384,371
Less amounts due in one year				(384,371)	
Net long-term liabilities in excess of one year				\$ 9,326,742	

Notes to Long-Term Obligations Table

Long term liabilities, including accumulated compensated absences and other postemployment benefit costs, are typically liquidated by the individual fund to which the liability is directly associated.

All the City's long-term debt arose through direct borrowings or direct placements.

Interest included as Direct Expense:

None of the interest on governmental activities long-term debt has been included in the direct expenses of any of the various programs.

Governmental Activities:

- The Capital Improvement Revenue Note, Series 2012 (the "Series 2012 Revenue Note") was secured by the electric franchise fees received by the City. The loan bore interest at a rate of 2.54% and was fully paid off on April 1, 2020. The loan proceeds were used to fund the acquisition, installation, and construction of certain capital improvements in the City. The Series 2012 Revenue Note was issued on April 9, 2012 for an initial principal amount of \$260,187.
- The Capital Improvement Revenue Note, Series 2020 (the "Series 2020 Revenue Note") is secured by a covenant to budget and appropriate non-ad valorem revenues to pay the annual debt service as it becomes due. The note bears interest at a rate of 2.80% and requires annual payments of principal and interest on July 1 of each year until final maturity on July 1, 2030. The note proceeds are being used to fund the rehabilitations of the historic Gem Theatre building in downtown Mulberry. The Series 2020 Revenue Note was issued on July 2, 2020 for an initial principal amount of \$2,200,000 of which \$1,823,010 remains unspent as of September 30, 2020 as the project is in process at that time. The debt issuance activity and future debt service will be reported in the City's Community Redevelopment Agency special revenue fund.

In the event of default, the bond holder has the right to take whatever action necessary to collect the amounts due.

Business-Type Activities:

- The Water and Wastewater System Revenue Bonds, Series 2015 were issued to refund the Water and Wastewater System Revenue Bond Anticipation Note, Series 2013 and are held by the USDA Rural Utilities Service. The original principal amount of \$3,685,000 was used for financing the acquisition, construction and erecting of extensions and improvements to the water and wastewater system. The Series 2015 bonds are secured by the net revenues of the water and sewer system and bear interest at 3.0% with a final maturity of September 1, 2054.

In the event of default, the bond holder has the right to take whatever action necessary to collect the amounts due and may, at their option, declare the outstanding principal and accrued interest to be due and payable immediately and may take possession of the water and wastewater system to repair, maintain, operate or rent the facilities as may be necessary to cure the default.

Notes to Long-Term Obligations Table (continued...)

Business-Type Activities: (continued...)

- The Revenue Refunding Note, Series 2013 was issued to refinance the Revenue Refunding Note, Series 2006. The purpose of the refinancing was to take advantage of a lower interest rate. The Revenue Refunding Note, Series 2013 are secured by the net revenues of the water and sewer system. The note bears interest at 3.44% with a final maturity of May 1, 2024.

In the event of default, the interest rate will immediately and automatically be adjusted to the lesser of 18 percent per annum or the maximum interest rate the City is permitted to pay by law. Furthermore, the note holder has the right to take whatever actions necessary to collect the amounts due and may, upon written notice, declare the outstanding principal and accrued interest to be due and payable immediately.

- The State of Florida Department of Environmental Protection (FDEP) Revolving Fund Water Loan Agreement WW770050 (the "WW770050 installment note to FDEP") is secured by the net revenues of the water and sewer system. The loan is payable semiannually with principal and interest payments due on August 15 and February 15. The original loan amount of \$646,701 was awarded on June 13, 2008 and was amended during 2011, 2012, and 2013 to provide a total of \$5,030,095. The loan bears interest at a weighted average rate of 2.55% with a final maturity of August 15, 2032. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The loan proceeds were used to upgrade and expand the City's wastewater treatment facilities.
- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement DW531200 (the "DW531200 installment note to FDEP") is secured by the net revenues of the water and sewer system. The loan is payable semiannually with principal and interest payments due on March 15 and September 15. The loan bears interest at a rate of 2.0% with a final maturity in 2040. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The loan proceeds were used for water distribution projects.
- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement WW770060 (the "WW770060 installment note to FDEP") is secured by the net revenues of the water and sewer system. The loan is payable semiannually with principal and interest payments due on July 15 and January 15. The loan bears interest at a rate of 2.24% with a final maturity in 2036. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The loan proceeds were used for planning and design activities for construction of wastewater transmission, collection, reuse and treatment facilities.
- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement WW770063 (the "WW770063 installment note to FDEP") is secured by the net revenues of the water and sewer system. The total amount of the loan is \$4,687,500 and the City has drawn \$2,696,603 of this amount as of September 30, 2020. This loan also includes a grant to forgive 80% of the principal on the loan up to \$3,750,000. The grant amount will be applied to the loan with the first repayment which is due on December 15, 2022. The loan is payable semiannually with principal and interest payments due on June 15 and December 15. The loan bears interest at a rate of 0.0% with a final maturity in 2059. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The loan proceeds are being used to fund a sanitary sewer rehabilitation project.

Notes to Long-Term Obligations Table (continued...)

Business-Type Activities: (concluded)

- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement DW531210 (the "DW531210 installment note to FDEP) is secured by the net revenues of the water and sewer system. The loan is payable semiannually with principal and interest payments due on March 15 and September 15. The loan bears interest at a rate of 0.64% with a final maturity in 2040. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The total amount of the loan is \$265,000 and the City has drawn \$231,648 of this amount as of September 30, 2020. The loan proceeds are being used for sewer system improvements including a wastewater treatment facility headworks system and pump station improvements.

The State of Florida Department of Environmental Protection Revolving Fund loans above all contain provisions that in the In the event of default and subject to the rights of superior liens on the pledged revenues, the lender may request a court to appoint a receiver to management the water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors, sue for payment of amounts due and may accelerate the repayment schedule or increase the interest rate on the unpaid principal on the loan to as much as 1.667 times the loan interest rate.

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Notes to Long-Term Obligations Table (concluded)

Maturities: Annual requirements to repay all bonds and notes payable as of September 30, 2020, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 220,000	\$ 61,600	\$ 384,371	\$ 168,691
2022	220,000	61,600	449,999	157,247
2023	220,000	55,440	465,365	145,157
2024	220,000	49,280	482,845	132,542
2025	220,000	43,120	241,444	121,578
2026-2030	1,100,000	123,200	1,280,588	534,526
2031-2035	-	-	884,599	410,559
2036-2040	-	-	582,540	326,110
2041-2045	-	-	575,076	244,099
2046-2050	-	-	666,672	152,503
2051-2055	-	-	608,826	46,326
WW770063 installment note (*)	-	-	2,157,282	-
Total	<u>\$ 2,200,000</u>	<u>\$ 394,240</u>	<u>\$ 8,779,607</u>	<u>\$ 2,439,338</u>

(*) - The outstanding balance of the WW770063 installment note to FDEP will be paid off by a state principal forgiveness grant in fiscal year 2022 and as such, is not included with the normal maturities of 2022.

Pledged Revenues:

The City has pledged various future revenue sources for various debt issues. For the water and sewer system, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issues.

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Water and sewer net revenues	9/1/2054	\$ 11,218,945	\$ 548,062	\$ 894,853	163.28%

NOTE 8 – INTERFUND TRANSACTIONS

Interfund receivables represent expenditures paid by those funds on behalf of another fund that were not repaid until after year end. Interfund receivables and payables as of September 30, 2020 consisted of:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 7,218

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

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 750,000

The transfer from the enterprise fund to the general fund is a budgeted annual operating transfer to finance services accounted for in the general fund.

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN

The City Commission has established by Ordinance 3.95, an Internal Revenue Code Section 457 and a 401(a) defined contribution pension plan. The plan trust is administered by the Florida League of Cities and the assets of the plans are not considered part of the City's reporting entity. All employees of the City who have been employed by the City for at least one year and who have worked at least 1,000 hours are eligible to participate. Participation is voluntary and the employee determines the amount of their contribution.

The City makes a non-elective contribution as a percentage of eligible compensation. The non-elective contribution rate is fifteen percent for the City Manager, eleven percent for each Department Director and eight percent for all other full-time City employees. The non-elective contribution is made regardless of employee contributions.

The City also matches employee contributions, dollar for dollar, up to a certain percentage of eligible compensation. The matching contribution percentage rate is ten percent for the City Manager, eight percent for each Department Director and five percent for all other full-time employees.

Employees with five or more years of service to the City are fully vested in the plan. Pension costs are accrued and funded on a current basis and all required contributions for the year were made. Contributions for the fiscal year ended September 30, 2020 totaled \$285,711 which consisted of \$78,869 contributed by employees and \$206,842 contributed by the City.

NOTE 10 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The City follows GASB Cod. Sec. P50 for certain post-employment health care and dental benefits provided by the City.

Plan Description – The City has established a single employer post-retirement health plan. The City under authority established within the Plan document, may amend or terminate the Plan in whole or in part. The City Commission provides oversight of the OPEB Plan. The Plan is constructed and governed by the laws of the State of Florida except as preempted by Federal law. The City Commission voted to amend the Plan effective in fiscal year 2011. The City provides optional fully-insured health insurance to full-time employees who retire under the City's pension plan. The OPEB does not issue a standalone financial statement.

The City provides fully subsidized retiree health insurance to former employees who were hired prior to May 16, 2006 and their spouses, unless the retiree or spouse is eligible for coverage due to subsequent employment or the spouse remarries after the retiree's death. Alternatively, the City provides a 50% subsidy toward the health insurance premium for single coverage for employees who are age 60 or older and retire with at least 20 years of service (10 years with respect to certain employment contracts) and this partial subsidy is discontinued upon the attainment of Medicare eligibility. All other retirees contribute an amount based on the average cost of providing the benefit to the group. Participants totaled 13 retirees and 40 active employees as part of the October 1, 2019 actuarial valuation for the year ended September 30, 2020.

The City subsidizes the premium rates paid by the retirees not hired before May 16, 2006 by allowing them to participate in the plan at the blended group premium rates (implicit subsidized) for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Funding Policy – Currently, the City's OPEB benefits are unfunded. There is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation. Therefore, the ultimate subsidies which are provided over time are financed directly by the assets of the City, which are invested in qualified public depositories. For the fiscal year ended September 30, 2020, the City provided contributions of \$56,546 toward the annual OPEB cost which is comprised of benefit payments made on behalf of retirees. Retirees do not make contributions to the plan.

Basis of Accounting – The OPEB is recorded in the government-wide financial statements, and the enterprise fund only on the accrual basis of accounting.

OPEB Expense– For the year ended September 30, 2020, the City recognized OPEB expense of \$334,290.

NOTE 10 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued...)

Total OPEB Liability – The City’s total OPEB liability as of September 30, 2020 was determined by an actuarial valuation as of October 1, 2019 using September 30, 2020 as the measurement date. The actuarial assumptions used in the October 1, 2019 valuation were as follows:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	2.14%
Initial Trend Rate	7.50% for 2020
Ultimate Trend Rate	4.00%
Year to Ultimate Trend Rate	55

Mortality rates were based on the PubG-2010 mortality tables which include fully generational adjustments for mortality improvements under gender-specific improvement scale MP-2018/

The discount rate used to discount all future benefit payments is 2.14% per annum and is based on the return of the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2019	\$ 2,123,077
Changes for the year:	
Service cost	164,436
Interest	88,287
Changes of assumptions	308,990
Differences between expected and actual experience	215,766
Benefit payments	(74,997)
Net changes	702,482
Reporting period ending September 30, 2020	\$ 2,825,559

Sensitivity of the total OPEB liability to changes in the discount rate – The following table presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.14%) or 1-percentage-point higher (3.14%) than the current discount rate.

	1% Decrease (1.14%)	Discount Rate (2.14%)	1% Increase (3.14%)
Total other postemployment benefits liability	\$ 3,507,789	\$ 2,825,559	\$ 2,322,158

NOTE 10 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (concluded)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following table presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage-point lower (5.00% to 8.50%) or 1-percentage-point higher (3.00% to 6.50%) than the current healthcare cost trend rates:

	1% Decrease (3.00% to 6.50%)	Discount Rate (4.00% to 7.50%)	1% Increase (5.00% to 8.50%)
Total other postemployment benefits liability	\$ 2,288,768	\$ 2,825,559	\$ 3,588,848

Deferred Outflows of Resources - On September 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources
Change in assumptions	\$ 279,889
Differences between expected and actual experience	184,942
Total	<u>\$ 464,831</u>

Amortization of Deferred Outflows of Resources - Amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year Ending September 30,	Amount
2021	\$ 77,067
2022	77,067
2023	77,067
2024	77,067
2025	77,067
Thereafter	79,496
	<u>\$ 464,831</u>

NOTE 11 – SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivables, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended September 30, 2020, is presented below:

	Water & Sewer System	Sanitation System	Stormwater Management System	Total
Condensed statement of revenue, expenses and changes in net position:				
Operating revenues	\$ 2,112,561	\$ 928,710	\$ 284,097	\$ 3,325,368
Personnel services	(763,339)	-	(150,088)	(913,427)
Operating expenses	(461,556)	(766,559)	(33,840)	(1,261,955)
Depreciation expense	(745,570)	-	(5,330)	(750,900)
Nonoperating expenses				
Interest expense	(189,500)	-	-	(189,500)
Other nonoperating	7,187	-	-	7,187
Capacity fees	86,390	-	-	86,390
Interfund transfer	(562,500)	(93,750)	(93,750)	(750,000)
Change in net position	<u>\$ (516,327)</u>	<u>\$ 68,401</u>	<u>\$ 1,089</u>	<u>\$ (446,837)</u>
Summary information from statement of net position:				
Capital assets, net	<u>\$ 16,037,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,037,203</u>
Long-term debt, including current portion	<u>\$ 8,779,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,779,607</u>

NOTE 12 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2020 or the previous two fiscal years. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the City. The City's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool. Settled claims resulting from these risks have not exceeded insurance coverage.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2020, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

The City is under contract with the Polk County Sheriff's Office to provide law enforcement services to the City through the year ended September 30, 2021. The City is required to provide the Sheriff with adequate office space at the City's expense and the contract can be terminated by either party upon 365 days written notice. The City paid \$1,169,620 for the year ended September 30, 2020. The contract calls for the following minimum costs going forward:

Fiscal Year Ending September 30,		Annual Cost
2021	\$	1,195,966

NOTE 14 – JOINT VENTURE

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by a interlocal agreement between the City of Mulberry, City of Auburndale, City of Bartow, City of Davenport, City of Eagle Lake, City of Fort Meade, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, , Polk City, City of Winter Haven, Town of Dundee, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes. These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

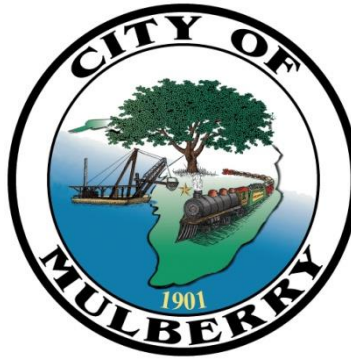
NOTE 14 – JOINT VENTURE (concluded)

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that take full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

Membership fees - The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2020, the total annual working capital needs of the PRWC was \$198,000 of which the City's proportionate share was \$1,251.

Combined projects background - The Member Governments, except for the City of Frostproof, entered into a combined projects implementation agreement on March 16, 2017. This agreement established three combined projects to be pursued by the PRWC with a total estimated cost of \$23,000,000. The South West Florida Water Management District (SWFWMD) is funding 50% of the total estimated cost and the remainder is funded by the Member Governments based upon their average water use in comparison to the total average water use by all Member Governments. The City's required contribution for the combined projects totaled \$89,052 and was paid to the PRWC in a prior year.

Contact - Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MULBERRY, FLORIDA
Budgetary Comparison Schedule – General Fund
for the year ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RESOURCES (inflows):				
Taxes	\$ 2,637,100	\$ 2,671,500	\$ 2,704,077	\$ 32,577
Licenses and permits	226,200	226,200	342,893	116,693
Intergovernmental revenue	457,115	457,115	422,948	(34,167)
Charges for services	222,201	222,201	233,592	11,391
Fines and forfeitures	32,600	32,600	31,225	(1,375)
Interfund transfer	750,000	750,000	750,000	-
Other	41,250	41,250	47,607	6,357
Total resources	4,366,466	4,400,866	4,532,342	131,476
CHARGES TO APPROPRIATIONS (outflows):				
General government	1,195,355	1,289,355	1,274,865	14,490
Public safety	1,448,785	1,473,785	1,467,680	6,105
Maintenance	687,787	683,787	679,625	4,162
Culture/recreation	648,271	624,071	610,699	13,372
Capital outlay	312,318	283,918	278,673	5,245
Debt service	34,230	6,230	1,879	4,351
Total charges to appropriations	4,326,746	4,361,146	4,313,421	47,725
EXCESS (DEFICIENCY) OF RESOURCES				
OVER CHARGES TO APPROPRIATIONS	<u>\$ 39,720</u>	<u>\$ 39,720</u>	<u>\$ 218,921</u>	<u>\$ 179,201</u>

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Total resources of the budgetary comparison schedule – general fund differ from total revenue of the statement of revenues, expenditures and changes in fund balance on page 14 due to budgetary inflows (resources) representing interfund transfers from the enterprise fund are reported as an “other financing source” on the statement of revenue, expenditures and changes in fund balance.

CITY OF MULBERRY, FLORIDA**Budgetary Comparison Schedule – Community Redevelopment Agency Special Revenue Fund
for the year ended September 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 321,953	\$ 321,953	\$ 320,245	\$ (1,708)
Total revenue	321,953	321,953	320,245	(1,708)
EXPENDITURES:				
Economic environment	-	38,769	38,169	600
Capital outlay	275,000	900,000	845,674	54,326
Debt service	-	29,000	29,000	-
Total expenditures	275,000	967,769	912,843	54,926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	46,953	(645,816)	(592,598)	53,218
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	2,200,000	2,200,000	-
Total other financing sources (uses)	-	2,200,000	2,200,000	-
NET CHANGE IN FUND BALANCE	\$ 46,953	\$ 1,554,184	\$ 1,607,402	\$ 53,218

CITY OF MULBERRY, FLORIDA
Schedule of Changes in the Total OPEB Liability and Related Ratios

Measurement date Reporting period ending	9/30/2020	9/30/2019	9/30/2018
	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability			
Service cost	\$ 164,436	\$ 117,181	\$ 115,772
Interest	88,287	74,070	71,160
Change in assumptions	308,990	19,243	-
Differences between expected and actual experience	215,766	-	-
Benefit payments	(74,997)	(77,776)	(70,832)
Other	-	-	-
Net change in total pension liability	702,482	132,718	116,100
Total OPEB liability, beginning	2,123,077	1,990,359	1,874,259
Total OPEB liability, ending	<u>\$ 2,825,559</u>	<u>\$ 2,123,077</u>	<u>\$ 1,990,359</u>
Covered payroll	\$ 1,316,183	\$ 1,316,183	\$ 1,316,183
Total OPEB liability as a percentage of covered-employee payroll	214.68%	161.31%	151.22%

Notes to Schedule:

No assets are being accumulated in a trust to pay for plan benefits.

Changes of Assumptions: Changes of assumptions reflect the changes in the discount rate for each period. The following are the discount rates used for the fiscal years ending:

September 30, 2020:	2.14%
September 30, 2019:	3.58%
September 30, 2018:	3.64%

Additional years will be added to this schedule annually until 10 years' data is presented.

COMPLIANCE SECTION



Powell & Jones
Certified Public Accountants

Richard C. Powell, Jr., CPA
Marian Jones Powell, CPA

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admin@powellandjonescpa.com

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

To the Mayor and Members
of the City Commission
City of Mulberry, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Mulberry, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Mulberry, Florida's basic financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control Over Financial Reporting

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

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

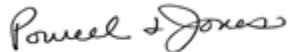
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mulberry, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.



POWELL & JONES

Certified Public Accountants

Lake City, Florida

January 28, 2021



Powell & Jones
Certified Public Accountants

Richard C. Powell, Jr., CPA
Marian Jones Powell, CPA

1359 S.W. Main Blvd.
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MANAGEMENT LETTER

To the Mayor and
Members of the City Commission
City of Mulberry, Florida

In planning and performing our audit of the financial statements of the City of Mulberry, Florida, for the year ended September 30, 2020, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter furnishes information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters.

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

CURRENT YEAR FINDINGS

There were no reportable findings during the current year.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

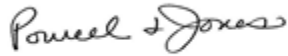
Financial Emergency Status – We have determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5. b and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

CONCLUSION

We have reviewed this information with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experience associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES

Certified Public Accountants

Lake City, Florida

January 28, 2021



Powell & Jones
Certified Public Accountants

Richard C. Powell, Jr., CPA
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INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and City Commission
City of Mulberry, Florida

We have examined the City of Mulberry, Florida's (the City) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2020. We also examined the City's compliance with Sections 163.387(6) and (7), *Florida Statutes* regarding the Mulberry Community Redevelopment Agency 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 examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examinations provide a reasonable basis for our opinion. Our examinations do not provide a legal determination on the City's compliance with the specified requirements.

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

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

POWELL & JONES
Certified Public Accountants
Lake City, Florida
January 28, 2021

OTHER INFORMATION

AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared John Wasmund, Director of Finance, who being duly sworn, deposes and says on oath that:

1. I am the Director of Finance for the City of Mulberry, a Florida municipal corporation. Pursuant to Section 19 of the *Charter of the City of Mulberry, County of Polk, State of Florida 2007*, As amended, I am responsible to administer the financial affairs of the City of Mulberry and serve as its Chief Financial Officer.

2. The City of Mulberry duly adopted Ordinance No. 11-2005 implementing the following impact fees:

- (a) a "Parks & Recreation" impact fee
- (b) a "Public Lands" impact fee and
- (c) a "Public Buildings & Facilities" impact fee

3. The City of Mulberry duly adopted Ordinance No. 6-2002 as amended by Ordinances No. 9-2004 and No. 2-2006 and No. 8-2008, implementing the following water and sewer fee:

- (a) a "Potable Water Treatment Capacity" fee;
- (b) a "Potable Water Transmission Capacity" fee;
- (c) a "Wastewater Capacity" fee.

4. The City of Mulberry, Florida has complied with and, as of this date of this Affidavit remains in compliance with, Section 163.31801, Florida Statutes.


FURTHER AFFIANT SAYETH NAUGHT.


Chief Financial Officer of the Entity

STATE OF FLORIDA
COUNTY OF POLK

SWORN TO SUBSCRIBED before me this 26 day of January, 2020.

Personally Know X or produced identification
My Commission Expires: June 10 2024


NOTARY PUBLIC
Print Name Sharon Lauther