

2021

City of Center Hill, Florida

Financial Statements and
Independent Auditor's Report

September 30, 2021

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR’S REPORT**

**CITY OF CENTER HILL, FLORIDA
CENTER HILL, FLORIDA**

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Center Hill
Center Hill, Florida

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Center Hill, Florida (the City) as of and for the year ended September 30, 2021, 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 City'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 City'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.

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Honorable Mayor and Members of
the City Council
City of Center Hill
Center Hill, Florida

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major funds of the City, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Cemetery, and Transportation Funds 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 pension related disclosures be presented to supplement the basic financial statements as listed in the table of contents. 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 June 29, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



June 29, 2023
Ocala, Florida

**CITY OF CENTER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

As management of the City of Center Hill, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis as of September 30, 2021.

Financial Highlights

The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,963,442.

As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$432,095, an increase of \$93,748 in comparison with the prior year of \$2,240. The City's ending net position of the Business-Type Activities is \$713,339.

Overview of the Financial Statements

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

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fee and charges. The governmental activities of the City include general government, public safety, physical environment, transportation, public works, and culture and recreation. The business-type activities of the City include water and sanitation department. The government-wide financial statements can be found on pages 9 through 10 of this report.

**CITY OF CENTER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reports 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 evaluation 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 City's *near-term* financing decisions.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and special revenue funds.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 through 16.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water services and sanitation services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provided separate information for the water and sanitation services, of which both are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 17 through 19.

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 statement. The notes to the financial statements can be found on pages 20 through 37.

**CITY OF CENTER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Government-Wide Financial Analysis

The City's net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$3,963,442 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 95% reflects its investment in capital assets (e.g., land, building, 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 investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive balances for the City as a whole, as well as for its separate governmental and business-type activities. The negative unrestricted is related to the change in net pension liability.

Governmental Activities

General governmental activities increased the City's net position to \$55,581 before transfers. Key elements of this change are as follows:

	Governmental Activities		Business-Type Activities		Total	Total
	2020	2021	2020	2021	2020	2021
Current and Other Assets	\$ 338,429	\$ 798,001	\$ 55,012	\$ 55,739	\$ 393,441	\$ 853,740
Capital Assets, Net	3,421,801	3,327,729	710,020	682,186	4,131,821	4,009,915
Deferred Outflows	123,163	74,050	-	-	123,163	74,050
Total Assets and Deferred Outflows	3,883,393	4,199,780	765,032	737,925	4,648,425	4,937,705
Long-Term Liabilities Outstanding	273,742	355,075	-	411	273,742	355,486
Other Liabilities	436,708	40,465	24,273	24,175	460,981	64,640
Deferred Inflows	8,304	554,137	-	-	8,304	554,137
Total Liabilities and Deferred Inflows	718,754	949,677	24,273	24,586	743,027	974,263
Net Position:						
Net Investment in Capital Assets	3,146,879	3,091,060	710,020	682,186	3,856,899	3,773,246
Restricted	191,434	221,020	-	-	191,434	221,020
Unrestricted	(173,674)	(61,977)	30,739	31,153	(142,935)	(30,824)
Total Net Position	\$ 3,164,639	\$ 3,250,103	\$ 740,759	\$ 713,339	\$ 3,905,398	\$ 3,963,442

**CITY OF CENTER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	Total
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues:						
Charges for Services	\$ 2,400	\$ 21,237	\$ 198,274	\$ 219,595	\$ 200,674	\$ 240,832
Operating Grants and Contributions	6,861	9,143	-	-	6,861	9,143
Capital Grants and Contributions	519,344	-	-	-	519,344	-
General Revenues:						
Property Taxes	120,426	129,494	-	-	120,426	129,494
Other Taxes	499,033	503,853	-	-	499,033	503,853
Other Revenues	138,585	229,841	-	-	138,585	229,841
Total Revenues	1,286,649	893,568	198,274	219,595	1,484,923	1,113,163
Expenses						
General Government	226,106	184,276	-	-	226,106	184,276
Public Safety	204,233	221,662	-	-	204,233	221,662
Physical Environment	11,058	11,406	-	-	11,058	11,406
Transportation	254,670	339,702	-	-	254,670	339,702
Culture and Recreation	26,478	69,731	-	-	26,478	69,731
Water and Sanitation Operations	-	-	228,665	217,132	228,665	217,132
Depreciation Expense (Unallocated)	161,222	-	-	-	161,222	-
Interest Expense	12,831	11,210	-	-	12,831	11,210
Total Expenses	896,598	837,987	228,665	217,132	1,125,263	1,055,119
Increase (Decrease) in Net Position Before Transfers	390,051	55,581	(30,391)	2,463	359,660	58,044
Transfers in (out)	16,310	29,883	(16,310)	(29,883)	-	-
Increase (Decrease) in Net Position	406,361	85,464	(46,701)	(27,420)	359,660	58,044
Net Position, Beginning	2,758,278	3,164,639	787,460	740,759	3,545,738	3,905,398
Net Position, Ending	\$ 3,164,639	\$ 3,250,103	\$ 740,759	\$ 713,339	\$ 3,905,398	\$ 3,963,442

Business-Type Activities

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

As of the end of the fiscal year 2021, the City's water and sanitation funds reported an increase in net position of \$2,463 before transfers. The increase in net position is due to reduction in expense from the prior year.

Financial Analysis of the Governments Funds

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

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

**CITY OF CENTER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$432,095 compared to \$338,347 for the period ended September 30, 2020.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the governmental funds was \$432,095 while the total unassigned fund balance reached \$211,075. As a measure of the governmental fund's liquidity, it may be useful to compare the total fund balance of \$432,095 to the total fund expenditures of \$794,667. Total governmental expenditures were 54.4% of fund balance.

The fund balance of the City's General Fund increased by \$252,060 before transfers during the current fiscal year. However, of the increase, the General Fund had to subsidize the transportation fund to the extent of \$187,898 and \$73 to subsidize the Cemetery Fund.

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

Unrestricted net position combined with Net Investment in Capital Assets of the water and sanitation funds at the end of the year amounted to \$713,339. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Overall, the General Fund ended the current fiscal year with a deficiency between its final operating revenues budgeted and actual operating revenues in the amount of \$398,616. This was mainly due to less grant revenues earned.

The General Fund experienced a favorable variance between its final operating expenditures budget and actual operating expenditures in the amount of \$8,666. The positive variance was largely the result of less spending on capital outlay and debt service than was anticipated in the budget.

Capital Asset and Debt Administration and the Transportation Fund

Capital Assets – The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounted to \$3,773,246. This investment in capital assets includes land, building, improvements, machinery, and equipment.

Capital asset events during the current fiscal year include the following:

The City completed their building maintenance project in the amount of \$6,433. The police department acquired equipment in the amount of \$46,105. The transportation department acquired equipment, a vehicle, in the amount of \$15,000.

**CITY OF CENTER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Long-Term Debt – The City's total debt decreased by \$38,253 for notes payable. The remaining changes in long-term debt were related to overall decreases in net pension liability and compensated absences.

Economic Factors and Next Year's Budgets and Rates

Economic Factors – the City is reported as being one of the fastest growing cities, next to Bushnell and Wildwood. The City is strategically located close to Interstate 75 and the Florida Turnpike. The City's location provides easy transportation access to both of these metropolitan areas.

Based on current trends and projected growth, it is anticipated that the outer parts of the City will have the most impact on the commercial sector of the City. As such, it will present the City with significant challenges in order to preserve adopted level of service of its current infrastructure while allowing quality development in the area; however, the projected growth will also bring extra revenue that is much needed to provide the improvements in infrastructure that the City is facing in the upcoming year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Clerk, P.O. Box 649, Center Hill, Florida 33514.

BASIC FINANCIAL STATEMENTS

CITY OF CENTER HILL, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 594,151	\$ 25,807	\$ 619,958
Investments	166,530	-	166,530
Accounts Receivables (Net of Allowance for Uncollectable Accounts)	31,685	23,428	55,113
Prepaid Expenses	-	6,504	6,504
Due from Other Governments	5,635	-	5,635
Non-Current Assets:			
Capital Assets:			
Land	458,499	-	458,499
Building and Systems	2,610,531	1,889,940	4,500,471
Improvements Other Than Buildings	1,083,969	-	1,083,969
Equipment	760,389	46,281	806,670
(Accumulated Depreciation)	(1,585,659)	(1,254,035)	(2,839,694)
Total Assets	4,125,730	737,925	4,863,655
Deferred Outflow of Resources			
Deferred Outflow - FRS - PP and HIS	74,050	-	74,050
Total Deferred Outflow of Resources	74,050	-	74,050
Total Assets and Deferred Outflow of Resources	4,199,780	737,925	4,937,705
Liabilities			
Current Liabilities:			
Accounts Payable	283	-	283
Customer Deposits	-	24,175	24,175
Notes Due Within One Year	40,182	-	40,182
Non-Current Liabilities:			
Net Pension Liability - FRS - PP and HIS	147,125	-	147,125
Compensated Absences	11,463	411	11,874
Notes Due in More Than One Year	196,487	-	196,487
Total Liabilities	395,540	24,586	420,126
Deferred Inflow of Resources			
Deferred Inflow - FRS - PP and HIS	188,514	-	188,514
Unearned Revenues - ARPA Funds	365,623	-	365,623
Total Deferred Inflow of Resources	554,137	-	554,137
Total Liabilities and Deferred Inflow of Resources	949,677	24,586	974,263
Net Position			
Net Investment in Capital Assets	3,091,060	682,186	3,773,246
Restricted	221,020	-	221,020
Unrestricted	(61,977)	31,153	(30,824)
Total Net Position	\$ 3,250,103	\$ 713,339	\$ 3,963,442

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

CITY OF CENTER HILL, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government	\$ 203,331	\$ -	\$ -	\$ -	\$ (203,331)	\$ -	\$ (203,331)
Public Safety	221,662	2,987	3,550	-	(215,125)	-	(215,125)
Physical Environment	11,406	18,250	5,593	-	12,437	-	12,437
Transportation	339,701	-	-	-	(339,701)	-	(339,701)
Culture and Recreation	69,731	-	-	-	(69,731)	-	(69,731)
Interest Expense	11,210	-	-	-	(11,210)	-	(11,210)
Total Governmental Activities	857,041	21,237	9,143	-	(826,661)	-	(826,661)
Business-Type Activities							
Water	119,170	117,369	-	-	-	(1,801)	(1,801)
Sanitation	97,962	102,226	-	-	-	4,264	4,264
Total Business-Type Activities	217,132	219,595	-	-	-	2,463	2,463
Total Government	\$ 1,074,173	\$ 240,832	\$ 9,143	\$ -	(826,661)	2,463	(824,198)
General Revenues and Transfers							
General Revenues:							
Property Taxes					129,494	-	129,494
Sales Taxes					228,330	-	228,330
Franchise and Utility Taxes					275,524	-	275,524
Investment Income					15,177	-	15,177
State Shared Revenue					60,459	-	60,459
Intergovernmental					87,954	-	87,954
Miscellaneous					85,304	-	85,304
Transfers (Net)					29,883	(29,883)	-
Total General Revenues and Transfers					912,125	(29,883)	882,242
Change in Net Position					85,464	(27,420)	58,044
Net Position, Beginning of Year					3,164,639	740,759	3,905,398
Net Position, End of Year					\$ 3,250,103	\$ 713,339	\$ 3,963,442

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

CITY OF CENTER HILL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Major Funds			Total
	General Fund	Cemetery Fund	Transportation Fund	Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 547,136	\$ 47,015	\$ -	\$ 594,151
Investments	-	166,530	-	166,530
Accounts Receivables (Net of Allowance for Uncollectible Accounts)	24,210	-	7,475	31,685
Due from Other Governments	5,635	-	-	5,635
Total Assets	<u>576,981</u>	<u>213,545</u>	<u>7,475</u>	<u>798,001</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	283	-	-	283
Total Liabilities	<u>283</u>	<u>-</u>	<u>-</u>	<u>283</u>
Deferred Inflows				
Unearned Revenues - ARPA Funds	365,623	-	-	365,623
Total Deferred Inflows	<u>365,623</u>	<u>-</u>	<u>-</u>	<u>365,623</u>
Fund Balances				
Restricted	-	213,545	7,475	221,020
Unassigned	211,075	-	-	211,075
Total Fund Balances	<u>211,075</u>	<u>213,545</u>	<u>7,475</u>	<u>432,095</u>
Total Liabilities and Fund Balances	<u>\$ 576,981</u>	<u>\$ 213,545</u>	<u>\$ 7,475</u>	<u>\$ 798,001</u>

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances - Governmental Funds	\$ 432,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Cost of capital asset is \$4,913,388 less accumulated depreciations of \$1,585,659.	3,327,729
Deferred Inflow of Resources:	
Pension Related	(188,514)
Deferred Outflow of Resources:	
Pension Related	74,050
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported in the governmental funds.	
Long-Term Liabilities Consist of:	
Compensated Absences	(11,463)
Notes Payable	(236,669)
Net Pension Liability	(147,125)
Net Position	<u>\$ 3,250,103</u>

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

CITY OF CENTER HILL
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Funds			Total
	General Fund	Cemetery Fund	Transportation Fund	Governmental Funds
Revenues				
Taxes	\$ 169,500	\$ -	\$ 58,830	\$ 228,330
Local Option Gas Tax	129,494	-	-	129,494
Licenses, Permits, and Fees	277,064	-	-	277,064
Intergovernmental	133,371	-	13,502	146,873
Fines and Forfeitures	2,987	-	-	2,987
Contributions and Donations	3,550	5,593	-	9,143
Cemetery Lot Sales	-	18,250	-	18,250
Miscellaneous	20,042	15,154	11,195	46,391
Total Revenues	<u>736,008</u>	<u>38,997</u>	<u>83,527</u>	<u>858,532</u>
Program Expenditures				
Current:				
General Government	153,187	-	-	153,187
Public Safety	223,703	-	-	223,703
Recreation	35,802	-	-	35,802
Transportation	-	-	249,648	249,648
Cemetery	-	10,345	-	10,345
Capital Outlay	56,858	-	15,661	72,519
Debt Service:				
Principal	11,135	-	27,118	38,253
Interest	3,263	-	7,947	11,210
(Total Expenditures)	<u>(483,948)</u>	<u>(10,345)</u>	<u>(300,374)</u>	<u>(794,667)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>252,060</u>	<u>28,652</u>	<u>(216,847)</u>	<u>63,865</u>
Other Financing Sources (Uses)				
Transfers in	-	73	217,708	217,781
Transfers (out)	(187,898)	-	-	(187,898)
Total Other Financing Sources (Uses)	<u>(187,898)</u>	<u>73</u>	<u>217,708</u>	<u>29,883</u>
Net Change in Fund Balances	64,162	28,725	861	93,748
Fund Balances, Beginning of Year	<u>146,913</u>	<u>184,820</u>	<u>6,614</u>	<u>338,347</u>
Fund Balances, End of Year	<u>\$ 211,075</u>	<u>\$ 213,545</u>	<u>\$ 7,475</u>	<u>\$ 432,095</u>

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

CITY OF CENTER HILL, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Net Change in Fund Balance - Total Governmental Funds	\$	93,748
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$164,933 exceeds capital outlay of \$72,519.		(92,414)
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Other Capital Related Items:

Net Transfers		54,144
Loss on Disposal of Capital Assets		(55,802)

Repayment of long-term debt is reported as an expenditure in governmental funds, but a deduction of long-term liabilities in the Statement of Net Position.		38,253
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

Change in Deferred Inflows and Outflows of Resources:

Pension Related		(229,323)
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Adjustment for Compensated Absences		25,893
Adjustment for Net Pension Liability		250,965

Change in Net Position of Governmental Activities	\$	85,464
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF CENTER HILL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 132,051	\$ 129,495	\$ 169,500	\$ 40,005
Local Option Gas Tax	118,087	179,889	129,494	(50,395)
Licenses, Permits, and Fees	213,690	293,720	277,064	(16,656)
Intergovernmental	94,285	139,267	133,371	(5,896)
Grants	600,000	365,623	-	(365,623)
Fines and Forfeitures	5,000	3,057	2,987	(70)
Contributions and Donations	-	1,680	3,550	1,870
Miscellaneous	20,400	21,893	20,042	(1,851)
Total Revenues	<u>1,183,513</u>	<u>1,134,624</u>	<u>736,008</u>	<u>(398,616)</u>
Expenditures				
Current:				
General Government	170,819	159,781	153,187	6,594
Public Safety	175,142	221,605	223,703	(2,098)
Recreation	24,178	35,802	35,802	-
Capital Outlay	20,000	50,694	56,858	(6,164)
Grants and Grants for Capital Outlay	600,000	-	-	-
Debt Service:				
Principal	18,500	19,127	11,135	7,992
Interest	6,500	5,605	3,263	2,342
Total Expenditures	<u>(1,015,139)</u>	<u>(492,614)</u>	<u>(483,948)</u>	<u>8,666</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>168,374</u>	<u>642,010</u>	<u>252,060</u>	<u>(389,950)</u>
Other Financing Sources (Uses)				
Transfers (out)	(164,261)	-	(187,898)	(187,898)
Total Other Financing Sources (Uses)	<u>(161,061)</u>	<u>-</u>	<u>(187,898)</u>	<u>(187,898)</u>
Net Change in Fund Balance	7,313	642,010	64,162	(577,848)
Fund Balances, Beginning of Year	<u>(7,313)</u>	<u>(642,010)</u>	<u>146,913</u>	<u>788,923</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,075</u>	<u>\$ 211,075</u>

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

CITY OF CENTER HILL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CEMETERY FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Cemetery Lot Fees	\$ 1,600	\$ 18,250	\$ 18,250	\$ -
Cemetery Donations	6,095	5,593	5,593	-
Interest on Cemetery CD's	2,450	15,154	15,154	-
Total Revenues	<u>10,145</u>	<u>38,997</u>	<u>38,997</u>	<u>-</u>
Expenditures				
Operating Expenses	10,145	10,346	10,345	1
(Total Expenditures)	<u>(10,145)</u>	<u>(10,346)</u>	<u>(10,345)</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>28,651</u>	<u>28,652</u>	<u>1</u>
Other Financing Sources (Uses)				
Transfers in	-	-	73	73
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>73</u>	<u>73</u>
Net Change in Fund Balances	-	28,651	28,725	74
Fund Balances, Beginning of Year	<u>-</u>	<u>(28,651)</u>	<u>184,820</u>	<u>213,471</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,545</u>	<u>\$ 213,545</u>

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

CITY OF CENTER HILL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - TRANSPORTATION FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 54,668	\$ 58,273	\$ 58,830	\$ 557
Intergovernmental	9,944	13,339	13,502	163
Miscellaneous	350	11,195	11,195	-
Total Revenues	<u>64,962</u>	<u>82,807</u>	<u>83,527</u>	<u>720</u>
Expenditures				
Current:				
Transportation	202,223	245,194	249,648	(4,454)
Capital Outlay	2,000	19,548	15,661	3,887
Debt Service:				
Principal	18,500	19,127	27,118	(7,991)
Interest	6,500	5,605	7,947	(2,342)
Grants and Grants for Capital Outlay	<u>(229,223)</u>	<u>(289,474)</u>	<u>(300,374)</u>	<u>(10,900)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(164,261)</u>	<u>(206,667)</u>	<u>(216,847)</u>	<u>(10,180)</u>
Other Financing Sources (Uses)				
Transfers in	164,261	-	217,708	217,708
Total Other Financing Sources (Uses)	<u>164,261</u>	<u>-</u>	<u>217,708</u>	<u>217,708</u>
Net Change in Fund Balance	-	(206,667)	861	207,528
Fund Balances, Beginning of Year	<u>-</u>	<u>206,667</u>	<u>6,614</u>	<u>(200,053)</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,475</u>	<u>\$ 7,475</u>

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

CITY OF CENTER HILL, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sanitation	Totals
Current Assets			
Restricted Cash:			
Customer Deposits	\$ 25,807	\$ -	\$ 25,807
Customer Receivables	13,219	10,209	23,428
Prepaid Expenses	-	6,504	6,504
Total Current Assets	<u>39,026</u>	<u>16,713</u>	<u>55,739</u>
Non-Current Assets			
Capital Assets:			
Utility System - Water	1,889,940	-	1,889,940
Equipment	46,281	-	46,281
Total Capital Assets Before Depreciation	1,936,221	-	1,936,221
Less: Accumulated Depreciation	(1,254,035)	-	(1,254,035)
Net Capital Assets	<u>682,186</u>	<u>-</u>	<u>682,186</u>
Total Non-Current Assets	<u>682,186</u>	<u>-</u>	<u>682,186</u>
Total Assets	<u>721,212</u>	<u>16,713</u>	<u>737,925</u>
Current Liabilities			
Payable from Restricted Assets:			
Customer Deposits	24,175	-	24,175
Compensated Absences	411	-	411
Total Current Liabilities	<u>24,586</u>	<u>-</u>	<u>24,586</u>
Net Position			
Net Investment in Capital Assets	682,186	-	682,186
Unrestricted	14,440	16,713	31,153
Total Net Position	<u>\$ 696,626</u>	<u>\$ 16,713</u>	<u>\$ 713,339</u>

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

CITY OF CENTER HILL, FLORIDA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds		Totals
	Water	Sanitation	
Operating Revenues			
Charges for Services	\$ 117,369	\$ 102,226	\$ 219,595
Total Operating Revenues	<u>117,369</u>	<u>102,226</u>	<u>219,595</u>
Operating Expenses			
Personnel Services	12,885	15,825	28,710
Garbage Contract Services	-	82,137	82,137
Depreciation	27,834	-	27,834
Other Operating Expenses	78,451	-	78,451
Total Operating Expenses	<u>(119,170)</u>	<u>(97,962)</u>	<u>(217,132)</u>
Net Operating Income (Loss) Before Transfers	<u>(1,801)</u>	<u>4,264</u>	<u>2,463</u>
Transfers			
Transfers in	13,200	17,658	30,858
Transfers (out)	(39,418)	(21,323)	(60,741)
Net Transfers	<u>(26,218)</u>	<u>(3,665)</u>	<u>(29,883)</u>
Change in Net Position	(28,019)	599	(27,420)
Total Net Position, Beginning of Year	<u>724,645</u>	<u>16,114</u>	<u>740,759</u>
Total Net Position, End of Year	<u>\$ 696,626</u>	<u>\$ 16,713</u>	<u>\$ 713,339</u>

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

CITY OF CENTER HILL, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sanitation	Totals
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 117,561	\$ 101,627	\$ 219,188
Cash Payments to Employees for Services	(12,885)	(15,825)	(28,710)
Cash Payments to Suppliers for Goods and Services	(78,451)	(82,137)	(160,588)
Net Cash Provided by Operating Activities	<u>26,225</u>	<u>3,665</u>	<u>29,890</u>
Cash Flows from Non-Capital Financing Activities			
Transfers in (out)	(26,218)	(3,665)	(29,883)
Net Increase (Decrease) in Cash	7	-	7
Cash and Cash Equivalents, Beginning of Year	<u>25,800</u>	<u>-</u>	<u>25,800</u>
Cash and Cash Equivalents, End of Year	<u>\$ 25,807</u>	<u>\$ -</u>	<u>\$ 25,807</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ (1,801)	\$ 4,264	\$ 2,463
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Income:			
Depreciation	27,834	-	27,834
(Increase) Decrease in Customer Receivables	(121)	(599)	(720)
(Decrease) Increase in Compensated Absences	313	-	313
Net Cash Provided (Used) by Operating Activities	<u>\$ 26,225</u>	<u>\$ 3,665</u>	<u>\$ 29,890</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF CENTER HILL, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Note 1 - Description of Funds and Summary of Significant Accounting Policies

A. The Reporting Entity

The City of Center Hill, Florida (the City) is a political subdivision of the State of Florida located in Sumter County. The City operates under a council form of government. The legislative branch of the City is composed of four member elected Council and an elected Mayor. The Mayor and the City Council are responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Mayor. The City provides services to its residents in many areas, including public safety, highways and streets, water, sanitation, culture and recreation, public improvements, and general administrative services.

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental entities. Significant accounting policies are described below:

B. Component Unit

By Ordinance No. 08-01, the City has determined that a local Community Redevelopment Agency (CRA) should be created to implement the local Community Redevelopment Plan. All duties and powers of the local CRA shall be prescribed as required under the statutory provision of Section 1633-370, Part III of the Florida Statutes. This component unit was closed at September 30, 2018.

C. Government-Wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. 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.

Indirect expenses are allocated automatically, and certain indirect costs are included in program expenses reported for individual function and activities. 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 amount program revenues are reported instead as general revenues.

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

CITY OF CENTER HILL, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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 when they become both measurable and available.

Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues available if they are collected within 30 days of year-end. Revenues that are susceptible to accrual in the governmental funds include property taxes, sales taxes, franchise fees, municipal utility taxes, and state and county shared revenues. All other revenue items are considered to be measurable and available only when the City receives cash.

Expenditures are generally recorded when a related liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The City reports the following major governmental funds:

- **General Fund**—The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds**—The special revenue funds are used to account for and report the proceeds of special revenue sources that are restricted or committed for specified purposes:
 - **Transportation Fund**—Accounts for maintenance of roads and streets in the City. Accounts for the proceeds from local option gas tax and state revenue sharing fuel tax to the City's transportation fund, which is to maintain the streets within the City.
 - **Cemetery Fund**—Accounts for the proceeds from sales of cemetery lots and contributions to the City's cemetery fund, which is to maintain the cemetery.

The City reports the following major proprietary funds. Proprietary funds are used to account for the City's ongoing activities, which are similar to those found in the private sector, where the determination of net income is necessary or useful to the sound financial administration.

CITY OF CENTER HILL, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

- **Water Fund**—This enterprise fund is used to account for the activities of the City's water utility operations.
- **Sanitation Fund**—This enterprise fund is used to account for the City's sanitation operations.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reports as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to generally use restricted resources first and then unrestricted resources as they are needed for their intended purposes; however, this decision is frequently made on a case-by-case basis based upon facts and circumstances. Revenues of the enterprise funds are recognized on the basis of services rendered. Billing cycles of the proprietary funds that overlap September 30 are prorated based upon meter reading dates.

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

E. Florida State Retirement System

Florida State Retirement System

The Florida State Retirement System Pension Plan (FRS) was created in Chapter 121, Florida Statutes. All full-time employees of the City may participate in the Florida State Retirement System (the System). This System was created by the Florida Legislature and is a cost-sharing, multi-employer defined-benefit and public retirement plan available to governmental units within the State of Florida. The System issued a publicly available financial report that includes financial statements and requires supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315, or by calling (850) 488-5706.

All full-time employees of the City are eligible to participate in the System. Special risk employees who retire at or after age 55 with six years of credible services, and all other employees who retire at or after age 55 with six years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to the product of: 1) average monthly compensation in the highest five years of creditable service; 2) creditable service during the appropriate period; and 3) the appropriate benefit percentage. Benefits

CITY OF CENTER HILL, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

fully vest on reaching six years of service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits. The System also provides death benefits, disability benefits, and annual cost-of-living adjustment. Benefits are established by Florida Statute. Beginning in 2011, the state mandated a 3% contribution to the plan by employees. As of September 30, 2021, the City has seven employees that participate in the Florida Retirement System.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the City, are required to contribute 10% from October 1, 2020 to June 30, 2021, and 10.82% from July 1, 2021 to September 30, 2021, for regular members; 24.45% from October 1, 2020 to June 30, 2021, and 25.89% from July 1, 2021 to September 30, 2021 for special risk; and 12.94% from October 1, 2020 to June 30, 2021, and 16.32% from July 1, 2021 to September 30, 2021, for retired police. The City's contributions and accrued benefits to the System for the year ended September 30, 2021, is \$39,519. In addition, employees that are not participating in the DROP Program are required to contribute 3% of their gross salary.

The Florida Retirement System also offers a defined contribution plan called the FRS Investment Plan (the Investment Plan). Currently, there are employees of the City that participate in the Plan. The Investment Plan is administered by the SBA and is reported in the SBA's annual financial statements and in the State of Florida Annual Comprehensive Financial Report. As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment plan in lieu of the FRS defined benefit Plan. The employer contribution for the period from October 1, 2020 through September 30, 2021, was 6.00% of payroll. Allocations to the Investment member's accounts during the 2020-2021 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class - 6.30% and Special Risk class - 14.00%.

The City contributed 100% of the required contributions to the System for the years ended September 30, 2021, 2020, and 2019 as follows:

<u>Year</u>	<u>FRS/HIS</u>	<u>Investment Plan</u>	<u>Total</u>
2021	\$ 23,929	\$ 15,590	\$ 39,519
2020	24,730	8,368	33,098
2019	25,012	6,462	31,474

Pension Liabilities, Pensions Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At September 30, 2021, the City reported a net pension liability of \$48,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion share of the net pension liability was based on projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, the City's proportionate share was .00064177755%, which was an decrease of .0000533741 from its proportionate share measured as of June 30, 2020.

Pension Expenses and Deferred Outflow of Resources and Deferred Inflow of Resources—For the year ended September 30, 2021, the City recognized a pension expense of (\$1,555). On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CITY OF CENTER HILL, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences Between Expected and Actual Experience	\$ 8,309	\$ -
Change in Assumption	33,172	-
Net Difference Between Expected and Actual Earnings		
On Pension Plan Investments	-	169,130
Changes in Portion and Differences Between City		
Contributions and Proportionate Share of Contributions	8,244	14,500
City Contributions Subsequent to Measurement Date	<u>8,209</u>	<u>-</u>
Total	<u>\$ 57,934</u>	<u>\$ 183,630</u>

The deferred outflows of resources related to pensions totaling \$8,209 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Total Inflows/Outflows</u>
2022	\$ (23,151)
2023	(26,956)
2024	(35,793)
2025	(46,233)
2026	<u>(1,772)</u>
Total	<u>\$ (133,905)</u>

Actuarial Assumptions

The total pension liability on July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	6.80%, Net Pension Plan Investment Expense, Including Inflation

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The Health Insurance Subsidy (HIS) Program has a valuation performed biennially that is updated for the Governmental Accounting Standards Board (GASB) reporting in the year a valuation is not performed. Actual future investment return experience for the FRS Pension Plan is not affected by the assumption used in the actuarial valuation. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The actuarial assumptions that determine the total pension liability as of June 30, 2021, were based on the results of an actuarial experience study for the period of July 1, 2013 through June 30, 2018.

CITY OF CENTER HILL, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Valuation Date	July 1, 2021	July 1, 2020
Measurement Date	June 30, 2021	June 30, 2020
Inflation	2.40%	2.60%
Salary Increases, Including Inflation	3.25%	3.25%
Mortality	PUB-2021 base table varies by member category and sex, projected generationally with Scale MP-2018 details in valuation report	PUB-2021 base table varies by member category and sex, projected generationally with Scale MP-2018 details in valuation report
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for the FRS Pension Trust Fund covering the Pension HIS plans:

Asset Class	Target Allocation (I)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100%			
Assumed Inflation Mean			2.4%	1.2%

(I) As outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at www.sbafla.com.

Discount Rate—The discount rate used to measure the total pension liability was 6.80%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current calculation rate and that contributions from participating members will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate— The following presents the City's proportionate share of the net pension liability calculated using a discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	<u>1% Decrease 5.80%</u>	<u>Current Discount Rate – 6.80%</u>	<u>1% Increase 7.80%</u>
City's Proportionate Share of the Net Pension Liability	\$ 216,801	\$ 48,479	\$ (92,220)

*FRS Pension Plan Fiduciary Net Position—*Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS Annual Comprehensive Financial Report.

The total pension liability for the FRS was determined by the plan's actuary and reported in the plan's valuation dated July 1, 2021. The City's net position to determine the net pension liability was determined on the same basis used by the plan.

The HIS actuarial valuation was prepared as of July 1, 2021, and the update procedures were to determine liabilities as of June 30, 2021. The City's net position used by the actuary to determine the net pension liability was determined on the same basis used by the plan.

The combined FRS regular and HIS pension liability of deferred inflows and outflows are listed below:

Deferred Outflows of Resources	\$ 74,050
Net Pension Liability	(147,125)
Deferred Inflows of Resources	<u>(188,514)</u>
Net Pension Liability and Inflows	
Over Outflows of Resources	<u>\$ (261,589)</u>

HIS Defined Benefit Pension Plan

*Plan Description—*The HIS Pension Plan (HIS Plan) is a defined benefit pension plan established to provide a monthly subsidy payment to retired members of any state-administered retirement system in order to assist such retired members in paying the costs of health insurance. Persons are eligible HIS payments who are retired under a state-administered retirement system, or a beneficiary who is a spouse or financial dependent entitled to receive benefits under a state-administered retirement system, except those individuals who are pension recipients under Sections 121.40, 237.08(18)(a) and 250.22, Florida Statutes, or recipients of health insurance coverage under Section 110.1232, Florida Statutes., or any other special pension or relief act not eligible for such pension payments. A person is deemed retired from a state-administered retirement system when he or she terminated employment with all employers participating in the FRS and:

- For a member of the FRS investment plan, the participant meets the age or service requirements to qualify for normal retirement per Section 121.021(29), Florida Statutes and meets the definition of retiree in Section 121.4501(2), Florida Statutes.

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- For a member of the FRS defined benefit pension plan, or any employee who maintains creditable service under the pension plan and the investment plan, the member begins drawing retirement benefits from the pension plan.

The HIS Program uses a pay-as-you-go funding structure, and the current statutory program contribution rate is 1.66% of employer payroll. The most recently conducted full valuation estimated that if actual future experience matches the valuation's assumptions, including 3.25% annual growth in employer payroll, the current statutory rate will be sufficient to provide complete pay-as-you-go funding of program benefits over the five-year period commencing June 30, 2019. Alternatively, if zero employer payroll growth occurred over that period, the full valuation estimated that a 1.8% of payroll employer contribution rate would be necessary for complete pay-as-you-go program funding in the 2023-2024 plan year.

Any person retiring on or after July 1, 2001, as a member of the FRS, including a member of the investment plan, must satisfy the vesting requirements for his or her membership class under the pension plan as administered under Chapter 121, Florida Statutes. Any person retiring due to disability must qualify for a regular or in-line-of-duty disability benefit per provisions under Chapter 112, Florida Statutes. Additionally, participants in the Senior Management Service Optional Annuity Program and the State City System Optional Retirement Program are not eligible to receive benefits from the HIS Plan.

Benefits Provided—The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of credible service completed at the time of retirements multiplied by \$5. The payments are at least \$30 but no more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions—The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66% of payroll pursuant to Section 112.363, Florida Statutes. The state contributed 100% of its statutorily required contributions for the current and preceding three years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS defined-benefit pension plan are reported as a total with the pension plan contributions listed above.

Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pension—At September 30, 2021, the City reported a net pension liability of \$48,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was

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based on projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating member, actuarially determined. At June 30, 2021, the City's proportion share was .00080419005%, which was an increase of .00001137849 from its proportionate share measured as of June 30, 2020.

For the year ended September 30, 2021, the City recognized pension expense as listed above. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual Experience	\$ 3,301	\$ -
Change in Assumption	7,751	4,105
Net Difference Between Expected and Actual Earnings		
On Pension Plan Investments	103	-
Changes in Portion and Differences Between City		
Contributions and Proportionate Share of Contributions	3,655	779
City Contributions Subsequent to Measurement Date	<u>1,306</u>	<u>-</u>
Total	<u>\$ 16,116</u>	<u>\$ 4,884</u>

The deferred outflows of resources related to pensions totaling \$1,306 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Total Inflows/Outflows
2022	\$ 2,506
2023	1,039
2024	1,871
2025	2,366
2026	1,762
Thereafter	<u>382</u>
Total	<u>\$ 9,926</u>

Actuarial Assumptions—The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	2.16%, Net Pension Plan Investment Expense, Including Inflation
Actuarial Cost Method	Individual Entry Age

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

Discount Rate—The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate—The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

	<u>1% Decrease</u> <u>1.16%</u>	<u>Current Discount</u> <u>Rate – 2.16%</u>	<u>1% Increase</u> <u>3.16%</u>
City's Proportionate Share of the Net Pension Liability	\$ 114,044	\$ 98,646	\$ 86,031

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS Annual Comprehensive Financial Report.

Combined Deferred Outflows and Inflows of Regular and HIS Defined Pension Plan

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences Between Expected and Actual Experience	\$ 11,610	\$ -
Change in Assumption	40,923	4,105
Net Difference Between Expected and Actual Earnings		
On Pension Plan Investments	103	169,130
Changes in Portion and Differences Between City		
Contributions and Proportionate Share of Contributions	11,899	15,279
City Contributions Subsequent to Measurement Date	9,515	-
Total	<u>\$ 74,050</u>	<u>\$ 188,514</u>

1. GASB Statement No. 75

The Florida Department of Management Services, Division of Retirement (division) is part of the primary government of the State of Florida. The division participates in the State Employees' Group Health Insurance Plan administered by the Department of Management Services, Division of State Group Insurance (DSGI). The plan covered retired employees and is considered an 'other postemployment benefits' plan (OPEB). The OPEB Plan provides the same health care benefits to retirees as those provided to active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All full-time equivalent employees of the state are eligible to receive postemployment health care benefits.

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The City has not determined the effects of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as the number of employees and expected financial impact is very minimal.

F. Receivables

Water and sanitation operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered after the last billing date and up to September 30, 2021, is estimated and accrued at year-end.

G. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life of more than two years.

In the case of the initial capitalization of general infrastructure assets, the City chose to include such items beginning October 1, 2003, the year of implementation of GASB Statement No. 34. As the City constructs or acquires additional capital assets, including infrastructure assets, they are capitalized and reported as historical cost. Donated capital assets are recorded at their estimated fair value on the date donated.

Depreciations is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets as follows:

Buildings	25 to 30 Years
Improvements Other Than Buildings	10 to 30 Years
Water and Sewer Systems	10 to 50 Years
Infrastructure	30 Years
Roads and Drainage	20 Years
Equipment	5 to 10 Years

H. Compensated Absences

The City accrues accumulated compensated absences (unpaid vacation, sick, and comp benefits) when incurred in the government-wide and proprietary fund financial statements.

Compensated absence liabilities are generally not reported in the governmental fund financial statements, as these liabilities would not normally be liquidated with expendable available financial resources.

The policy for payment of sick leave is upon voluntary termination of the employee, 50% of the accumulated hours would be paid (85% for long-term employees with ten or more years of full-time services) not to exceed 1,040 hours. The City accrues and records 100% of unpaid vacation pay up to a maximum of 240 hours and 50% or 85%, as applicable, of unpaid sick pay at the employee's current pay rate. The balance of compensated absences at September 30, 2021, was \$11,874. The amount by fund is \$759 and \$5,270 for the Administration and Police Department of the General Fund, respectively, \$5,434 for the Transportation Fund, and \$411 for the Water Fund.

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I. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. Use of Estimates

The City policy for estimates is using a measurement basis and application in the presentation and presenting in the financial statements. Estimates and judgements are not precise. The City estimates depreciation.

K. Deferred Outflows/Inflows of Resources

The City follows GASB Statement No. 65 where a deferred outflow of resources – a consumption of net assets that is applicable to the future period – and deferred inflow of resources – an acquisition of net assets that is applicable to a future reporting period.

L. Fund Balance

The GASB has promulgated Statement No. 54, entitled *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement is designed to do two things: 1) it clarifies the definition of what activities are to be reported within different types of governmental funds (general fund, special revenue fund type, capital project fund type, debt service fund type, and permanent fund type); and 2) it provides clearer fund balance definitions that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds as follows:

Non-Spendable Fund Balance—represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance—represents amounts with external constraints placed on the use of these resources (such as debt covenants, grants, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance—represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or ordinance.

In accordance with the City adopted resolution No. 2012-01, the City is required to maintain a prudent level of financial resources for unexpected expenditures equal to no less than one percent of General Fund operating expenditures or \$4,839 for measurable events as of September 30, 2021.

Assigned Fund Balance—represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the General Fund. The City Clerk has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance.

CITY OF CENTER HILL, FLORIDA
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Unassigned Fund Balance—represents the residual classification for the General Fund or deficit balances in other funds.

Amounts are considered to have been spent when expenditure is incurred for purposes for which unrestricted (proprietary funds) and committed, assigned, and unassigned (General Fund and special revenue funds) amounts are available.

Note 2 - Budgets and Budgetary Accounting

The following Procedures are used in establishing budgetary data reflected in the financial statements:

1. The City Clerk is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
2. Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution.
3. The City Clerk is authorized to transfer budgeted amounts within any department, but may not revise total department expenditures without the approval of the City Council. The budgetary data presented is in agreement with the originally adopted budget as amended by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for substantially all funds. Budgets are adopted on a basis consistent with U.S. GAAP. Total budgeted fund expenditures within the governmental type funds may not be exceeded legally. Appropriations lapse at the end of the year. In addition, encumbrance accounting for commitments is not used.

Note 3 - Cash and Cash Equivalents and Investments

Cash Deposits

At September 30, 2021, the carrying amount of the City's cash deposits was \$619,958 and the bank balance was \$628,963. All cash deposits are held in qualified public depositories and were covered by Federal Depository Insurance (FDIC) or by the *Florida Security of Public Deposits Act* (the Act); Chapter 280 of the Florida Statutes. The Act established a multiple financial institution collateral pool with the ability to assess member institutions to satisfy the claims of governmental entities if any member financial institution fails. The ability to assess provides protections, which is similar to depository insurance.

Investments

Florida Statutes authorize the investment of funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of the U.S. Government, and certain instruments guaranteed by the U.S. Government. The City has invested in those institutions and instruments permitted under the provisions of Florida Statutes, Section 218.415(16). As such, interest-bearing time deposits are savings accounts are in qualified public depositories, as defined by Section 280.02, Florida Statutes.

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Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

<u>Type</u>	<u>Fair Value</u>	<u>WAM</u>	<u>Level</u>	<u>Credit Ratings</u>
S&P 500 Point to Point	\$ 166,530	10 yr	1	N/A

Interest Rate Risk

Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. The City maintains cash equivalents and other short-term instruments as changing interest rates have limited impact on certificate of deposit investments.

The contract value is equal to the fixed option value of the greater of the indexed option value on the guaranteed minimum accumulation value, as applicable. The withdrawal value is equal to the fixed option value less withdrawal charges, or the greater of the guaranteed minimum accumulation value less withdrawal charges or the indexed option value less withdrawal charges and recapture charges, as applicable. The death benefit value before the income date is equal to the fixed options value or the greater of the indexed option value or the guaranteed minimum accumulation value, as applicable. The maximum interest crediting cap for the annual reset with monthly average crediting method may change once every policy year, and biennial point to point and biennial monthly sum crediting methods may change once every two policy years.

The City is a risk if funds are withdrawn prior to the end of the 10-year index option period. In addition, withdrawals may be subject to withdrawal and recapture charges.

At September 30, 2021, the City had an annuity of \$166,530 in brokerage account for its cemetery fund.

Note 4 - Capital Assets

	<u>9/30/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments/ Transfers</u>	<u>9/30/2021</u>
Governmental Activities					
Land (Not Being Depreciated)	\$ 362,003	\$ -	\$ (12,524)	109,020	\$ 458,499
Capital Assets Being Depreciated:					
Buildings	1,003,323	-	-	(23,782)	979,541
Improvements	601,339	6,433	-	476,197	1,083,969
Infrastructure	1,586,067	-	-	(1,547,767)	38,300
Equipment	397,681	50,425	(145,643)	(102,257)	200,206
Roads and Related Drainage	519,420	-	-	1,073,270	1,592,690
Transportation Equipment	440,864	15,661	(29,030)	132,688	560,183
Total Assets Being Depreciated	4,548,694	72,519	(174,673)	8,349	4,454,889
Total Accumulated Depreciation	(1,488,896)	(164,933)	131,395	(63,225)	(1,585,659)
Total Capital Assets, Net of Depreciation	<u>\$ 3,421,801</u>	<u>\$ (92,414)</u>	<u>\$ (55,802)</u>	<u>\$ 54,144</u>	<u>\$ 3,327,729</u>

CITY OF CENTER HILL, FLORIDA
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	9/30/2020	Additions	Disposals	Transfers	9/30/2021
Business-Type Activities					
Capital Assets Being Depreciated:					
Water System	\$ 1,889,940	\$ -	\$ -	\$ -	1,889,940
Equipment	46,281	-	-	-	46,281
Total Capital Assets Being Depreciated	1,936,221	-	-	-	1,936,221
Less Accumulated Depreciation for:					
Water System	1,190,767	25,161	-	-	1,215,928
Equipment	35,434	2,673	-	-	38,107
Total Accumulated Depreciation	1,226,201	27,834	-	-	1,254,035
Total Assets Being Depreciated	710,020	(27,834)	-	-	682,186
Business-Type Activities					
Capital Assets, Net	<u>\$ 710,020</u>	<u>\$ (27,834)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,186</u>

Depreciation in the current year was adjusted for a correction of the estimate in depreciation expense for the business-type activities.

Depreciation expense was charged to the following functions/programs in the statement of activities:

Governmental Activities

General Government	\$ 4,749
Public Safety	13,767
Legislations	418
Public Works	1,792
Recreation	36,459
Transportation	107,748

Total Depreciation Expense

Governmental Activities	<u>\$ 164,933</u>
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Business-Type Activities

Water	\$ 27,834
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Total Depreciation Expense

Business-Type Activities	<u>\$ 27,834</u>
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Note 5 - Long-Term Debt

General Fund

On February 27, 2007, by resolution No. 2007-02, the City entered into a certificate of obligation with a bank in the amount of \$500,000 to finance road re-pavement and cost overage for the construction of hurricane shelter. The City has pledged its obligation of payments out of the City's utilities and franchise taxes.

On March 1, 2017, by resolution No. R2017-04, the City approved financing from a bank to pay the remaining loan balance in the amount of \$188,414 to SunTrust Bank, wire funds in the amount of \$191,930 to purchase a street sweeper for the Transportation department, and deposit funds in the amount of \$20,656 in the City's general checking account for operating expenses, or a note payable to BB&T in the amount of \$401,000. The City obligation pledge to SunTrust Bank for the City's utility and franchise income was released by SunTrust Bank on March 1, 2017. BB&T's promissory note contains a collateral security agreement for the following:

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- A mortgage dated March 1, 2017, to lender on real property located in Sumter County, Florida.
- Equipment and general intangibles described in commercial security agreement dated March 1, 2017.

The balance of the obligation at September 30, 2021, was \$236,669. The obligation at September 30, 2020, was \$274,922 or a decrease of \$38,253 as of September 30, 2021. The schedule of remaining annual debt service requirements for the note is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2022	\$ 40,182	\$ 9,282	\$ 49,464
2023	41,923	7,541	49,464
2024	43,740	5,724	49,464
2025	45,636	3,828	49,464
2026	47,614	1,850	49,464
2027	17,574	163	17,737
Total	\$ 236,669	\$ 28,388	\$ 265,057

Long-term liability activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Notes Payable:					
Note Payable - Direct Borrowings	\$ 274,922	\$ -	\$ (38,253)	\$ 236,669	\$ 40,182
Other Liabilities:					
Net Pension Liability - FRS	301,289	-	(252,810)	48,479	-
Net Pension Liability - HIS	96,800	1,846	-	98,646	-
Compensated Absences	37,356	18,934	(44,827)	11,463	2,293
Total Other Liabilities	435,445	20,780	(297,637)	158,588	2,293
Total Government Activities	\$ 710,367	\$ 20,780	\$ (335,890)	\$ 395,257	\$ 42,475
Business-Type Activities					
Other Liabilities:					
Compensated Absences	98	411	(98)	411	82
Total Business-Type Activities	\$ 98	\$ 411	\$ (98)	\$ 411	\$ 82

The total amount of interest charged to expense in the governmental activities was \$11,211.

Note 6 - Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage operating rate assessed and adopted by resolution 18.07 by the City for the fiscal year ended 2021 was 4.3335 mills.

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The tax levy of the City is established by the City Council prior to October 1 of each year and the Sumter County Property Appraiser incorporates the City millages into the total tax levy, which includes County and the County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if it meets all of the appropriate requirements of the Florida Statutes.

Taxes are assessed on November 1 of each year or as soon as thereafter as the assessment roll is certified and delivered to the County Tax Collector. Unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1 % in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or any lower rate bid by the buyer. The certificate holder may make application for a tax deed on any unredeemed tax certificates after a period of two years. The County holds unsold certificates.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of property or by the five-year statute of limitations.

Note 7 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; and natural disasters. The City transfers risk of loss through the purchase of commercial insurance. Insurances against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials Liability
- Accidental Death and Disability

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to date of the City's experience for this type of risk. There have been no significant reductions in insurance coverage during fiscal year 2021. Settled claims have not exceeded the commercial excess coverages.

Note 8 - Claims and Other Liabilities

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

CITY OF CENTER HILL, FLORIDA
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The City follows the practice of recording liabilities resulting from claims and legal action only when they become fixed or determinable in amount.

Note 9 - Subsequent Events

Management has determined that there were no subsequent events through the date of the report of June 29, 2023, that would have a material effect on the financial statements at September 30, 2021.

Note 10 - Contingencies and Commitment Grants

Amounts received or receivable from grantor agencies are subject to audits and adjustment by grantor agencies. If any expenditure is disallowed as a result of these audits, the claims for reimbursement to the grantor agency would not be significant.

Note 11 - Interfund Transfers

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Major Funds		
General Fund	\$ -	\$ 187,898
Cemetery Fund	73	-
Water Utility Fund	13,200	39,418
Sanitation Fund	17,658	21,323
Transportation Fund	<u>217,708</u>	<u>-</u>
Total Interfund Transfers	<u>\$ 248,639</u>	<u>\$ 248,639</u>

Transfers are related to the transfer of cash between the funds.

Note 12 - Other Disclosures

For the year ended September 30, 2021, the City's transportation fund actual expenditures exceeded budgeted appropriations in the General Fund in the amount of \$10,900. Of this excess, the majority was related to additional debt service-related expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

The proportionate share of net pension liability and contributions under the following supplementary schedules present trend information regarding retirement plans for the City of Center Hill's Florida Retirement System. This information is necessary for a fair presentation in conformity with government accounting standards.

CITY OF CENTER HILL, FLORIDA
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF JUNE 30, ANNUALLY

	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.00064177755%	0.000695152%	0.000667688%	0.000657671%	0.000625404%	0.000647347%	0.000603113%	0.000489973%
City's Proportionate Share of the Net Pension Liability	\$ 48,479	\$ 301,289	\$ 229,943	\$ 198,094	\$ 184,990	\$ 163,456	\$ 77,900	\$ 29,896
City's Covered Payroll	132,439	140,169	257,299	258,378	249,273	239,207	263,909	233,782
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	36.60%	214.95%	89.37%	76.67%	74.21%	68.33%	29.52%	12.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92%	96.09%

SCHEDULE OF CITY CONTRIBUTIONS - FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)

AS OF SEPTEMBER 30, ANNUALLY

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 26,224	\$ 21,137	\$ 20,703	\$ 18,743	\$ 16,281	\$ 15,787	14,704	10,732
Contributions in Relation to the Contractually Required Contribution	26,224	21,137	20,703	18,743	16,281	16,281	1,704	10,732
Contribution Deficiency (Excess)	-	-	-	-	-	(494)	-	-
City's Covered Payroll	\$ 155,547	\$ 142,992	\$ 257,299	\$ 258,378	\$ 249,273	\$ 239,207	263,909	233,782
Contributions as a Percentage of Covered Payroll	16.86%	14.78%	8.05%	7.25%	6.53%	6.81%	5.57%	4.59%

Notes:

- 1) The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015, including restatement as of June 30, 2014. Information for prior years is not available.

CITY OF CENTER HILL, FLORIDA
FLORIDA HEALTH INSURANCE SUBSIDY PENSION PLAN (1)
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF JUNE 30, ANNUALLY

	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.086419005%	0.000792811%	0.0007795917%	0.000759690%	0.000763360%	#####	0.000791064%	0.000669844%
City's Proportionate Share of the Net Pension Liability	\$ 98,646	\$ 96,800	\$ 86,817	\$ 80,406	\$ 81,622	\$ 90,423	\$ 80,676	\$ 62,849
City's Covered- Employee Payroll	132,439	140,169	257,299	258,378	249,273	239,207	263,909	233,782
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll - Employee Payroll	74.48%	69.06%	33.74%	31.12%	32.74%	37.80%	30.57%	26.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

SCHEDULE OF CITY CONTRIBUTIONS - FLORIDA HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

AS OF SEPTEMBER 30, ANNUALLY

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 4,811	\$ 3,593	\$ 4,309	\$ 3,977	\$ 4,040	\$ 3,977	14,704	10,732
Contributions in Relation to the Contractually Required Contribution	4,811	3,593	4,309	3,977	4,040	3,977	14,704	10,732
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-
City's Covered-Employee Payroll	\$ 155,547	\$ 142,992	\$ 257,299	\$ 258,378	\$ 249,273	\$ 239,207	263,909	233,782
Contributions as a Percentage of Covered-Employee Payroll	3.09%	2.51%	1.67%	1.54%	1.62%	1.66%	5.57%	4.59%

CITY OF CENTER HILL, FLORIDA
FLORIDA HEALTH INSURANCE SUBSIDY PENSION PLAN (1)
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Notes:

1) The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015, including restatement as of June 30, 2014. Information for prior years is not available.

2) Actuarial Methods and Assumptions - Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System (FRS) Actuarial Conference. The FRS Pension Plan has valuation performed annually. The Health Insurance Subsidy (HIS) Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is no performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013 through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go-basis, no assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.8%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2021:

* FRS: The long-term expected rate of return was decreased from 6.90% to 6.80%, and the active member mortality assumption was updated.

* HIS: The municipal rate used to determine total pension liability was decreased from 3.50% to 2.21%

OTHER REPORTS

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

Honorable Mayor and Members of
the City Council
City of Center Hill, 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 Center Hill, Florida (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2023.

Internal Control Over Financial Reporting

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

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

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

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Honorable Mayor and Members of
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City of Center Hill, Florida

**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***

2020-1—Segregation of Duties

The City operates with a very small finance, accounting, and customer service department and does not have the resources to properly segregate duties among employees so that no one employee has sole control over approving, recording, and accounting for transactions.

Because significant deficiencies in internal control over financial reporting exist when there is not sufficient separation of incompatible accounting duties, we recommend that the City's finance, accounting, and customer service departments continue to develop and, if necessary, expand its current staff to ensure more effective internal control structure over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we reported to management of the City in a separate letter dated June 29, 2023.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Management Letter Response. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 29, 2023
Ocala, Florida

MANAGEMENT LETTER

Honorable Mayor and Members of
the City Council
City of Center Hill, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Center Hill (the City) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 29, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 29, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Please see Management Letter comment 2020-2.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City was incorporated in 1925 by Senate Bill No. 603 under Article VIII, Section 2 of the Constitution of Florida. The City's discretely presented component unit, the City of Center Hill, Florida Community Redevelopment Agency, was created by City Ordinance No. 08-03 as authorized by Part III of Chapter 163, Florida Statutes. This component unit was closed at September 30, 2018.

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City of Center Hill, Florida

MANAGEMENT LETTER

Financial Condition and Management

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

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. Please see Management Letter comment 2020-2.

Additional Matters

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

Purpose of this Letter

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



June 29, 2023
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Honorable Mayor and Members of
the City Council
City of Center Hill, Florida

Prior Year Comment

The following prior year comment (as updated) is brought forward in the current year and is noted as follows:

2020-2 Timely Submission of Annual Financial Statements

The City was unable to submit a timely audit of their September 30, 2020, and again in 2021, annual financial statements to the State of Florida Auditor General's office which is required to be submitted nine months after year-end. The City has engaged an audit firm that is diligently working with management to expedite their audits on a timely basis.

We recommend that the City continue closing out the accounting records on a timely basis to ensure that the audit can be expedited and submitted to the state within the nine month timeline.

Pursuant to Chapter 119, Florida Statutes, these management letter comments are a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, please do not hesitate to contact us.



June 29, 2023
Ocala, Florida

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Date: 06/24/2023

To Mayor and City Council
City of Center Hill

This letter is in response to the following:

Finding 2020-1 – Segregation of Duties: The City does not have the resources to expand it's staff due to lack of funds as well as current workflow, however the City has implemented a process to have two people sign off on the processing of accounting transactions to ensure more effective internal control structure.

Finding 2020-2 – Timely Submission of Annual Financial Statements: The City Auditor retired abruptly, and we did solicit for new auditing firms, but no one replied. However, we have contracted Purvis Gray and Company, LLP as the new audit firm for the City so that we can continue to meet the requirements of the State of Florida Auditor General's office.

Sincerely



Diane Lamb, City Clerk
City of Center Hill

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

Honorable Mayor and Members of
the City Council
City of Center Hill, Florida

We have examined the City of Center Hill's (the City) compliance with the requirements of Section 218.415, Florida Statutes, with regards to the City's investments during the year ended September 30, 2021. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2021.

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



June 29, 2023
Ocala, Florida

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