



POLK CITY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk City, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Polk City, Florida, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles - As described in note 14, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 84 – *Fiduciary Activities*. Furthermore, effective October 1, 2020, the City changed the reporting of impact fee activity that was previously reported within the City’s general fund by creating a new special revenue fund to account for the impact fee activity. Our opinions are not modified with respect to this matter.

Correction of Error – As described in Note 14, certain errors were corrected that affected prior periods and as such, the beginning net position of the business-type activities/enterprise fund were restated to reflect the correction. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and other required supplementary information, as provided in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, *Florida Statutes* and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this section.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Honorable Mayor and Members of the City Commission
Polk City, Florida.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of the Polk City, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Polk City, Florida's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 28, 2022

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

As management of Polk City, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 12.

Financial Highlights

- The assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$15,766,542 as of September 30, 2021.
- For the year ended September 30, 2021, the governmental activities increase the net position of the City by \$740,830 and the business-type activities increased the net position of the City by \$2,101,773 for an overall increase in net position of \$2,842,603.
- The City's unrestricted cash and cash equivalents totaled \$7,683,967, an increase of \$2,820,978 over the prior year.
- As of the close of the current fiscal year, the City's general fund (governmental fund level) reported ending fund balance of \$3,338,016, an increase of \$592,598 in comparison with the prior year. As of September 30, 2021, the City's unassigned and assigned fund balance totaled \$3,166,667 and is available for spending at the government's discretion.

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: government-wide financial statements; fund financial statements, and 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 the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual amount reported as net position. The focus of the *Statement of Net Position* (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net cost of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, library, law enforcement, building and zoning, parks and recreation, and stormwater utility. The business-type activities include water and sewer

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

Fund Financial Statements

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. 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. The basic Governmental Funds financial statements can be found by referencing the table of contents.

The City maintains two governmental funds – the general fund and the impact fee special revenue fund which was new in 2021. Information is presented separately for each fund in the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and change in fund balances for the general fund.

Proprietary Funds - The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its water and wastewater activities. The basic proprietary fund financial statements can be found by referencing the table of contents.

Fiduciary Funds – Assets held by the City for other parties, either as a trustee or as an agent, and that cannot be used to finance the City's own operating programs are reported as fiduciary funds. The City reports one fiduciary fund, a custodial fund to account for impact fees collected on behalf of Polk County, Florida (the "County"). These funds are collected on behalf of the County as new construction takes place within the City and remitted to the County monthly.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* consisting of the City's budgetary comparison statement for the general fund and information concerning the City's proportionate share of the net pension liability and contributions to the Florida retirement system pension and health insurance subsidy pension plans which can be found by referencing the table of contents.

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

Government-Wide Financial Analysis

The following table reflects a summary of Net Position compared to prior year. For more detailed information, see the Statement of Net Position by referencing the table of contents.

Statement of Net Position (Summary)
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Assets						
Current and other assets	\$4,040,303	\$4,634,298	\$5,432,453	\$6,687,213	\$ 9,472,756	\$11,321,511
Capital assets	3,241,726	3,154,609	14,222,752	14,526,919	17,464,478	17,681,528
Total assets	<u>7,282,029</u>	<u>7,788,907</u>	<u>19,655,205</u>	<u>21,214,132</u>	<u>26,937,234</u>	<u>29,003,039</u>
Deferred Outflow of Resources	<u>406,000</u>	<u>386,870</u>	<u>848,903</u>	<u>803,033</u>	<u>1,254,903</u>	<u>1,189,903</u>
Liabilities						
Long-term liabilities outstanding	2,216,304	1,591,859	12,836,041	10,963,948	15,052,345	12,555,807
Other liabilities	205,703	86,303	501,647	1,124,207	707,350	1,210,510
Total liabilities	<u>2,422,007</u>	<u>1,678,162</u>	<u>13,337,688</u>	<u>12,088,155</u>	<u>15,759,695</u>	<u>13,766,317</u>
Deferred Inflow of Resources	<u>17,527</u>	<u>508,290</u>	<u>4,361</u>	<u>151,793</u>	<u>21,888</u>	<u>660,083</u>
Net Position						
Net Invested in capital assets	1,989,528	2,032,025	2,472,213	4,416,278	4,461,741	6,448,303
Restricted	1,277,414	1,381,328	2,510,307	2,686,020	3,787,721	4,067,348
Unrestricted	1,981,553	2,575,972	2,179,539	2,674,919	4,161,092	5,250,891
Total net position	<u>\$5,248,495</u>	<u>\$5,989,325</u>	<u>\$7,162,059</u>	<u>\$9,777,217</u>	<u>\$12,410,554</u>	<u>\$15,766,542</u>

Forty-one percent of the City's net position reflect its investment in capital assets (land, buildings, improvements, infrastructure, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Twenty-five percent of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is normally available to meet the City's ongoing obligations to citizens and creditors.

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

The following table reflects the condensed Statement of Activities for the current and previous year.

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues:						
Charges for services	\$ 677,309	\$ 642,257	\$ 2,581,208	\$ 2,689,448	\$ 3,258,517	\$ 3,331,705
Operating grants and contributions	56,136	65,861	-	-	56,136	65,861
Capital grants and contributions	311,083	124,786	1,287,896	1,536,150	1,598,979	1,660,936
General revenues:						
Property taxes	951,733	1,054,782	-	-	951,733	1,054,782
Franchise/Public Ser. Tax	527,895	549,248	-	-	527,895	549,248
State shared revenues	213,696	257,104	-	-	213,696	257,104
Fuel taxes levied for transportation	154,048	172,547	-	-	154,048	172,547
Investment earnings	-	486	-	457	-	943
Other	17,592	9,114	9,582	40	27,174	9,154
Total revenues	2,909,492	2,876,185	3,878,686	4,226,095	6,788,178	7,102,280
Expenses						
General government	803,826	749,181	-	-	803,826	749,181
Library	157,859	126,967	-	-	157,859	126,967
Law enforcement	132,292	131,523	-	-	132,292	131,523
Building and zoning	259,798	243,078	-	-	259,798	243,078
Code enforcement	47,187	48,109	-	-	47,187	48,109
Public works administratin	138,538	125,243	-	-	138,538	125,243
Sanitation	265,067	288,094	-	-	265,067	288,094
Streets	458,381	445,628	-	-	458,381	445,628
Parks and recreation	91,827	78,991	-	-	91,827	78,991
Stormwater	18,924	13,345	-	-	18,924	13,345
Interest on long-term debt	42,889	40,196	-	-	42,889	40,196
Public utilities	-	-	2,117,834	1,969,322	2,117,834	1,969,322
Total expenses	2,416,588	2,290,355	2,117,834	1,969,322	4,534,422	4,259,677
Increase (decrease) in net position before transfers	492,904	585,830	1,760,852	2,256,773	2,253,756	2,842,603
Transfers	25,000	155,000	(25,000)	(155,000)	-	-
Increase (decrease) in net position	517,904	740,830	1,735,852	2,101,773	2,253,756	2,842,603
Net position - October 1	4,730,591	5,248,495	5,426,207	7,162,059	10,156,798	12,410,554
Restatement	-	-	-	513,385	-	513,385
Net position - October 1, as restated	4,730,591	5,248,495	5,426,207	7,675,444	10,156,798	12,923,939
Net position - September 30	\$ 5,248,495	\$ 5,989,325	\$ 7,162,059	\$ 9,777,217	\$ 12,410,554	\$ 15,766,542

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

Governmental Activities – Governmental activities increased the City's net position by \$740,830 after a net transfer of \$155,000 from the business-type activities. In the prior year, net position increased by \$517,904 as a result of operations. Total revenue for the year ended September 30, 2021 decreased by \$33,307 or 1.1% and expenses decreased by \$126,203 or 5.2%.

Significant items experienced in FY 2021 – Governmental Activities:

- Reduction of Millage Rate
- Double-face Digital Sign at Polk City Government Center
- 2021 Super Duty F250 for Public Works
- Purchase of Kiosks
- Loss of Work Squad from Department of Corrections due to shortage of staff (split with E.F.)
- Stormwater Repair at Oak and 2nd Street
- Increase of Liability Insurance (split with business-type activities)
- Replacement of Windows and new A/C at Activity Center
- Seal coat for Polk City Government Center
- Upgrade of Video Cameras at Polk City Government Center
- Termite Treatment at Polk City Government Center
- Fencing Repairs/Replacement at Public Works/Utilities Facilities
- Reinvented Safe Haven Halloween event
- Was not able to have Christmas Parade
- Replaced Windows in the Suzette Penton Polk City Municipal Library
- Replaced fencing and landscaping at Suzette Penton Polk City Municipal Library
- Replaced overhead lighting at Basketball / Tennis Courts
- Decorative Street Light Repair
- Replacement/ Repair of Right-of-way Landscaping

Business-type Activities - Business-type activities increased the City's net position by \$2,101,773 as a result of operations compared to an increase of \$1,735,852 in the prior year. Net position was also increased by \$513,385 due to a prior period restatement to correct an error. See note 14 of the notes to financial statements for more information on the restatement. There was a net transfer of \$155,000 to the governmental activities in the current year and \$25,000 in the prior year. Total revenue for the year ended September 30, 2021 increased by \$347,409 or 9.0% and expenses decreased by \$148,512 or 7.5%.

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

Significant items experienced in FY 2021 – Business-type Activities

- Purchase of Vac/Jetter/Trailer
- Loss of Work Squad from Department of Corrections to due shortage of staff (split with G.F.)
- Increase of Liability Insurance (split with governmental activities)
- Utility Write-offs
- Replacement of Check Valve at Matt Williams WTF (repairs and maint.)
- Replace Roofing at Utility Building
- Emergency Repair of service line/driveway
- Matt Williams WTF Well Casing replaced
- Fencing Replaced at Public Works/Utilities Facilities (split with G.F.)
- Replacement of Influent Meter at Cardinal Hill WWTF
- Replacement of Submersible Pump at Golden Gate Lift Station
- Pump at Ruth Road Lift Station
- Dirt and Grit Removal from Cardinal Hill WWTF
- Removal of Blanket (skim) from AB Surge Tank at Cardinal Hill WWTF

Fund Level Financial Analysis

Governmental Funds - As of September 30, 2021, the City's governmental fund reported combined ending fund balances of \$4,547,995. This is an increase of \$713,395 over the prior year ending fund balances of \$3,834,600. The main causes of the increase are as follows:

- Total revenue decreased by \$33,308 or 1.1% mainly due to decrease in licenses and permits, and impact fees. Licenses and permits decreased by \$101,192 and impact fees decreased by \$184,395 over the prior fiscal year due to a decline in construction activity within the City.
- Total expenditures decreased by \$33,789 or 1.4% mainly due to decrease in capital outlay expenditures of \$116,417 which was partially offset by increases in other functional expenditures.

Effective October 1, 2020, the City created a special revenue fund to be used to account for the revenues and expenditures of impact fees previously reported in the general fund. This was reported as a change in accounting principle and beginning fund balance was restated to move previously reported unspent impact fees to this new impact fee special revenue fund.

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

Proprietary Funds - These services combined to generate operating income of \$1,139,644. Compare that to the prior year operating income of \$857,780 for an improvement of \$281,864 or 32.9%. This was due to a 4.2% or \$108,240 increase in operating revenue and a 10.1% decrease in operating expenses of \$173,624.

General Fund Budgetary Highlights - The City adopts an annual appropriated budget each year in September. Budgetary comparison statements have been provided to demonstrate compliance with the budget which can be found by referencing the table of contents. Budget comparison reporting is included for the General Fund. Actual revenue was less than the final budgeted amounts by \$443,757, and actual expenditures were less than final budgeted appropriations by \$875,955 resulting in an overall positive budgetary variance of \$432,198. The original budget was not amended during the year or within the allowable sixty days after the end of the fiscal year.

Overall the Fiscal Year 2021 Budget had a positive impact on Polk City's financial picture for the General Fund and Enterprise Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, and equipment. The City elected to record and depreciate its infrastructure, rather than use the optional "modified approach".

The following table presents a comparison of the capital assets for the current and previous year.

Capital Assets Activity						
as of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Assets not depreciated						
Land	\$ 412,542	\$ 412,542	\$ 2,762,913	\$ 2,762,913	\$ 3,175,455	3,175,455
Construction in progress	-	-	20,211	49,083	20,211	49,083
Total	<u>412,542</u>	<u>412,542</u>	<u>2,783,124</u>	<u>2,811,996</u>	<u>3,195,666</u>	<u>3,224,538</u>
Depreciated Assets						
Buildings and improvements	3,531,415	3,536,291	-	-	3,531,415	3,536,291
Recreational facilities	503,467	503,467	-	-	503,467	503,467
Vehicles and equipment	608,676	664,473	590,179	689,170	1,198,855	1,353,643
Infrastructure	205,009	205,009	-	-	205,009	205,009
Utility plants	-	-	15,386,507	16,022,693	15,386,507	16,022,693
Subtotal	4,848,567	4,909,240	15,976,686	16,711,863	20,825,253	21,621,103
Accumulated depreciation	<u>(2,019,383)</u>	<u>(2,167,173)</u>	<u>(4,537,058)</u>	<u>(4,996,940)</u>	<u>(6,556,441)</u>	<u>(7,164,113)</u>
Total	<u>\$ 2,829,184</u>	<u>\$ 2,742,067</u>	<u>\$ 11,439,628</u>	<u>\$11,714,923</u>	<u>\$ 14,268,812</u>	<u>\$14,456,990</u>

Polk City, Florida
Management's Discussion and Analysis
September 30, 2021

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$17,681,528 (net of accumulated depreciation) compared to \$17,464,478 last year. That is an increase of \$217,050 from the prior year.

Additional information on the City's capital assets can be found in Note 5 of the notes to the financial statements in this report.

Long-term debt - The following table presents a comparison of revenue bonds and notes payable for the current and previous year.

Revenue Notes and Notes Payable
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Revenue notes	\$ -	\$ -	\$ 8,491,556	\$ 8,186,625	\$ 8,491,556	\$ 8,186,625
Notes payable	1,202,199	1,122,584	4,094,253	2,643,224	5,296,452	3,765,808
Total	\$1,202,199	\$1,122,584	\$12,585,809	\$10,829,849	\$13,788,008	\$11,952,433

The Governmental Activities had total debt outstanding of \$1,122,584 which compares to \$1,202,199 in the prior year. This consists of the Citizens Bank and Trust Installment Note for the refunding of the Series 2007 Capital Improvement Revenue Bonds for the construction of the Polk City Government Center.

The Business-type Activities had total debt outstanding of \$10,829,849 which compares to \$12,585,809 in the prior year. This consists of the Series 2017 Water/Sewer System Refunding Revenue Bond and the installment notes to the Florida Department of Environmental Protection.

Additional information on the City's long-term debt can be found in Note 6 of the notes to the financial statements in this report.

Economic Factors and Next Year's Budget and Rates

- The City's advalorem millage rate for the fiscal year ending September 30, 2022 was decreased by 5% to 5.700 and the taxable value of property within the City increased by 6.73% resulting in budgeted advalorem revenue for the fiscal year ending September 30, 2022 of \$1,055,018 which is in-line with the actual advalorem revenue reported in 2021.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Polk City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City Manager, Polk City, 123 Broadway Boulevard SE, Polk City, FL 33868 or call (863) 984-1375.

**POLK CITY, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 4,340,141	\$ 3,343,826	\$ 7,683,967
Receivables, current:			
Customer accounts, net	30,511	236,774	267,285
Intergovernmental	48,415	-	48,415
Franchise and public service taxes	43,882	-	43,882
Prepaid expenses	-	31,707	31,707
Restricted assets:			
Cash and cash equivalents	171,349	3,074,906	3,246,255
Capital assets:			
Non-depreciable	412,542	2,811,996	3,224,538
Depreciable, net	2,742,067	11,714,923	14,456,990
TOTAL ASSETS	7,788,907	21,214,132	29,003,039
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	386,870	115,532	502,402
Deferred charge on bond refunding	-	687,501	687,501
TOTAL DEFERRED OUTFLOWS OF RESOURCES	386,870	803,033	1,189,903
LIABILITIES			
Accounts payable	\$ 57,292	\$ 40,726	\$ 98,018
Accrued payroll	24,295	12,433	36,728
Accrued interest payable	-	50,654	50,654
Unearned revenue	-	682,163	682,163
Due to other governments	1,331	-	1,331
Customer deposits	3,385	338,231	341,616
Long-term liabilities:			
Due within one year	82,401	425,167	507,568
Due in more than one year	1,509,458	10,538,781	12,048,239
TOTAL LIABILITIES	1,678,162	12,088,155	13,766,317
DEFERRED INFLOWS OF RESOURCES			
Pensions	508,290	151,793	660,083
TOTAL DEFERRED INFLOWS OF RESOURCES	508,290	151,793	660,083
NET POSITION			
Net investment in capital assets	2,032,025	4,416,278	6,448,303
Restricted for:			
Transportation infrastructure	171,349	-	171,349
General government facilities	452,483	-	452,483
Law enforcement	215,279	-	215,279
Fire / rescue	135,876	-	135,876
Parks and recreation capital improvements	406,341	-	406,341
Water system improvements	-	503,084	503,084
Waste water system improvements	-	1,932,675	1,932,675
Debt service	-	250,261	250,261
Unrestricted	2,575,972	2,674,919	5,250,891
TOTAL NET POSITION	\$ 5,989,325	\$ 9,777,217	\$ 15,766,542

See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 749,181	\$ 41,296	\$ 4,603	\$ 54,749	\$ (648,533)	\$ -	\$ (648,533)
Library	126,967	5,210	61,258	-	(60,499)	-	(60,499)
Law enforcement	131,523	23,126	-	20,640	(87,757)	-	(87,757)
Fire / rescue	-	-	-	11,568	11,568	-	11,568
Building and zoning	243,078	173,340	-	-	(69,738)	-	(69,738)
Code enforcement	48,109	-	-	-	(48,109)	-	(48,109)
Public works administration	125,243	-	-	-	(125,243)	-	(125,243)
Sanitation	288,094	348,118	-	-	60,024	-	60,024
Streets	445,628	17,873	-	-	(427,755)	-	(427,755)
Parks and recreation	78,991	-	-	37,829	(41,162)	-	(41,162)
Stormwater utility	13,345	33,294	-	-	19,949	-	19,949
Interest on long term debt	40,196	-	-	-	(40,196)	-	(40,196)
Total governmental activities	2,290,355	642,257	65,861	124,786	(1,457,451)	-	(1,457,451)
Business-type Activities:							
Water and sewer utility	1,969,322	2,689,448	-	1,536,150	-	2,256,276	2,256,276
Total business-type activities	1,969,322	2,689,448	-	1,536,150	-	2,256,276	2,256,276
TOTAL PRIMARY GOVERNMENT	\$ 4,259,677	\$ 3,331,705	\$ 65,861	\$ 1,660,936	(1,457,451)	2,256,276	798,825
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					1,054,782	-	1,054,782
Franchise taxes					127,577	-	127,577
Public service taxes					421,671	-	421,671
Fuel taxes levied for transportation					172,547	-	172,547
State shared revenue					257,104	-	257,104
Investment earnings					486	457	943
Miscellaneous					9,114	40	9,154
Transfers					155,000	(155,000)	-
Total General Revenues					2,198,281	(154,503)	2,043,778
Change in net position					740,830	2,101,773	2,842,603
NET POSITION - beginning of year, previously reported					5,248,495	7,162,059	12,410,554
Restatement (Note 14)					-	513,385	513,385
NET POSITION - beginning of year as restated					5,248,495	7,675,444	12,923,939
NET POSITION - end of year					\$ 5,989,325	\$ 9,777,217	\$ 15,766,542

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2021**

	General Fund	Special Revenue Fund - Impact Fee	Total
ASSETS			
Cash and cash equivalents	\$ 3,130,162	1,209,979	\$ 4,340,141
Receivables, net:			
Customer accounts, net	30,511	-	30,511
Intergovernmental	48,415	-	48,415
Franchise and public service taxes	43,882	-	43,882
Restricted assets:			
Cash and cash equivalents	171,349	-	171,349
TOTAL ASSETS	\$ 3,424,319	1,209,979	\$ 4,634,298
LIABILITIES AND FUND BALANCE			
Accounts payable	57,292	-	57,292
Accrued payroll	24,295	-	24,295
Due to other governments	1,331	-	1,331
Customer deposits	3,385	-	3,385
TOTAL LIABILITIES	86,303	-	86,303
FUND BALANCE:			
Restricted for:			
Highways / streets	171,349	-	171,349
General government facilities	-	452,483	452,483
Law enforcement	-	215,279	215,279
Fire / rescue	-	135,876	135,876
Parks and recreation	-	406,341	406,341
Assigned to:			
Emergency reserve	162,925	-	162,925
Unassigned:	3,003,742	-	3,003,742
TOTAL FUND BALANCE	3,338,016	1,209,979	4,547,995
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,424,319	\$ 1,209,979	\$ 4,634,298

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 4,547,995**

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

Capital assets, net of accumulated depreciation, used in governmental activities are financial resources and, therefore, are not reported as assets in the governmental funds. 3,154,609

The deferred outflows and deferred inflows related to pensions are applied to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions	386,870
Deferred inflows related to pensions	(508,290)

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Notes payable	(1,122,584)
Compensated absences payable	(62,192)
Net pension liability	(407,083)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 5,989,325
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See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund - Impact Fee</u>	<u>Total</u>
REVENUES:			
Taxes	\$ 1,788,639	\$ -	\$ 1,788,639
Licenses and permits	173,361	-	173,361
Intergovernmental revenue	328,490	-	328,490
Charges for services	404,769	-	404,769
Fines and forfeitures	43,258	-	43,258
Impact fees	-	120,588	120,588
Other	16,870	209	17,079
Total revenues	<u>2,755,387</u>	<u>120,797</u>	<u>2,876,184</u>
EXPENDITURES:			
General government	684,731	-	684,731
Public safety	420,969	-	420,969
Physical environment	424,791	-	424,791
Transportation	426,141	-	426,141
Culture/recreation	169,987	-	169,987
Capital outlay	71,359	-	71,359
Debt service	119,811	-	119,811
Total expenditures	<u>2,317,789</u>	<u>-</u>	<u>2,317,789</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>437,598</u>	<u>120,797</u>	<u>558,395</u>
OTHER FINANCING SOURCES:			
Transfers in	155,000	-	155,000
Total other financing sources	<u>155,000</u>	<u>-</u>	<u>155,000</u>
NET CHANGE IN FUND BALANCE	592,598	120,797	713,395
FUND BALANCE, beginning of year, previously report	3,834,600	-	3,834,600
Restatement (Note 14)	(1,089,182)	1,089,182	-
FUND BALANCE, beginning of year as restated	<u>2,745,418</u>	<u>1,089,182</u>	<u>3,834,600</u>
FUND BALANCE, end of year	<u>\$ 3,338,016</u>	<u>\$ 1,209,979</u>	<u>\$ 4,547,995</u>

See Accompanying Notes to Financial Statements

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 713,395**

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

This is the amount of capital assets additions in the current period	60,672
This is the amount of depreciation recorded in the current period	(147,790)

Long-term obligations including bonds and notes payable and compensated absences are reported as liabilities in the government-wide statement of activities but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:

This amount represents long-term debt repayments	79,615
This amount represents the change in compensated absence liability	(3,310)

Pension costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. The net change in liabilities in the current fiscal year:

This amount represents the change in deferred outflows related to pensions	(19,130)
This amount represents the change in deferred inflows related to pensions	(490,763)
This amount represents the change in the net pension liability	548,141

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 740,830
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See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,343,826
Customer accounts receivable, net	236,774
Prepaid expenses	31,707
Total current assets	<u>3,612,307</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	3,074,906
Capital assets, net:	
Non-depreciable	2,811,996
Depreciable, net	11,714,923
Total noncurrent assets	<u>17,601,825</u>
TOTAL ASSETS	<u>21,214,132</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	115,532
Deferred charge on bond refunding	687,501
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>803,033</u>
LIABILITIES	
Current liabilities:	
Accounts payable	40,726
Accrued payroll	12,433
Bonds and notes payable, current portion	425,167
Accrued interest payable	50,654
Unearned revenue	682,163
Total current liabilities	<u>1,211,143</u>
Noncurrent liabilities:	
Customer deposits	338,231
Compensated absences	12,531
Net pension liability	121,568
Bonds and notes payable, noncurrent portion	10,404,682
Total noncurrent liabilities	<u>10,877,012</u>
TOTAL LIABILITIES	<u>12,088,155</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	151,793
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>151,793</u>
NET POSITION	
Net investment in capital assets	4,416,278
Restricted for:	
Water system improvements	503,084
Waste water system improvements	1,932,675
Debt service	250,261
Unrestricted	2,674,919
TOTAL NET POSITON	<u>\$ 9,777,217</u>

See Accompanying Notes to Financial Statements

**POLK CITY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 2,689,448
Total operating revenues	<u>2,689,448</u>
OPERATING EXPENSES:	
Personnel services	506,285
Operating expenses	600,189
Depreciation	443,330
Total operating expenses	<u>1,549,804</u>
OPERATING INCOME	<u>1,139,644</u>
NONOPERATING REVENUE (EXPENSE):	
Interest income	457
Interest expense	(419,518)
Other nonoperating revenue	40
Total nonoperating revenues (expenses)	<u>(419,021)</u>
Income (loss) before contributions	<u>720,623</u>
CAPITAL CONTRIBUTIONS:	
Capital grants and contributions	1,316,160
Impact fees	219,990
Total capital contributions	<u>1,536,150</u>
TRANSFERS IN (OUT)	
Transfers to other funds	<u>(155,000)</u>
Total transfers	<u>(155,000)</u>
Change in net position	2,101,773
TOTAL NET POSITION - beginning of year, previously reported	7,162,059
Restatement (Note 14)	513,385
TOTAL NET POSITION - beginning of year as restated	<u>7,675,444</u>
TOTAL NET POSITION - end of year	<u><u>\$ 9,777,217</u></u>

See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 2,694,605
Payments to suppliers	(668,864)
Payment for salaries and benefits	(485,444)
Net cash flows from operating activities	<u>1,540,297</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers (to) from other funds	(155,000)
Other nonoperating revenue	40
Net cash flows from noncapital financing activities	<u>(154,960)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(234,111)
Impact fees	219,990
Capital grants and contributions	1,998,323
Principal paid on notes, bonds and lease obligations	(1,755,958)
Interest paid on borrowings	(359,385)
Net cash flows from capital and related financing activities	<u>(131,141)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	456
Net cash flows from investing activities	<u>456</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,254,652
CASH AND CASH EQUIVALENTS, beginning of year	5,164,080
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 6,418,732</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:	
Operating income (loss)	\$ 1,139,644
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	443,330
(Increase) decrease in accounts receivable	(2,892)
Increase (decrease) in accounts payable	(68,675)
Increase (decrease) in accrued payroll and compensated absences	4,036
Increase (decrease) in deferred outflows of resources related to pension	(14,507)
Increase (decrease) in deferred inflows of resources related to pension	147,432
Increase (decrease) in the net pension liability	(116,120)
Increase (decrease) in customer deposits	8,049
Net cash flows from operating activities	<u><u>\$ 1,540,297</u></u>
Noncash financing and investing activities:	
None	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 17,014
TOTAL ASSETS	<u>17,014</u>
LIABILITIES	
Due to other governments	17,014
TOTAL LIABILITIES	<u>17,014</u>
NET POSITION	
Unrestricted	-
TOTAL NET POSITON	<u>\$ -</u>

See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Custodial Fund</u>
ADDITIONS	
Contributions:	
Fees collected on behalf of other governments	\$ 262,023
Total additions	<u>262,023</u>
DEDUCTIONS	
Remittance of fees to other governments	262,023
Total deductions	<u>262,023</u>
CHANGE IN NET POSTION	<u>-</u>
TOTAL NET POSITION - beginning of year	<u>-</u>
TOTAL NET POSITION - end of year	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

Polk City, Florida (the "City") is a political subdivision of the State of Florida created in 1925 by Chapter 11016, Laws of the State of Florida. Ordinance No. 2014-02, approved by the City's electors, effective April 1, 2014, changed the name from the City of Polk City to Polk City. The City operates under a commission/manager form of municipal government and provides general municipal services, including public safety, public works, culture, recreation, community development, and water and sewer services. These financial statements include all of the funds, organizations, agencies, departments and account groups of the City (the "primary government") and any "legally" separate entities ("component units") required by generally accepted accounting principles to be included in the reporting entity.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Criteria for determining if other entities are potential component units of the City which should be reported with the City's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. A blended component unit, although legally separate, is in substance part of the City's operations and presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds are combined with those of the primary government for financial reporting purposes. There are no entities that meet the criteria for inclusion as either blended or discreetly presented component units.

B. BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. The City's fiduciary fund is excluded from the government-wide financial statements since by definition, these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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

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

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The GASB codification Section 2200.159 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the City's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements.

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

- a) **Governmental Funds:** The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City;
- **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
 - **Special Revenue Fund Impact Fee** – In response to the requirements of Section 163.31801, Florida Statutes, this fund was created in 2021 to account for the financial transactions of the City impact fees other than water and sewer impact fees, which are accounted in the enterprise fund. This fund does not meet the major fund criteria set forth in GASB Cod. Sec 2200 but management has elected to report the impact fee special revenue fund as a major fund to improve transparency and to demonstrate compliance with Section 163.31801, Florida Statutes.
- b) **Proprietary Funds:** The focus of the proprietary fund's measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:
- **Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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

costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing potable water and sewer collection, treatment and disposal services to area residents.

c) Fiduciary Funds: The City uses a fiduciary fund to report assets held in trustee or agency capacity that are, therefore, not available to support City programs. The accounting for fiduciary funds is much like that used for proprietary funds. The City reports the following fiduciary fund:

- **Custodial Fund** – The custodial fund is to account for impact fees collected on behalf of Polk County, Florida (the “County”). These funds are collected on behalf of the County as new construction takes place within the City and remitted to the County monthly.

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Imposed nonexchange transactions (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transaction (grants) and voluntary nonexchange transaction (donations) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as water and sewer. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services.

All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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

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

CASH AND CASH EQUIVALENTS – Includes all short-term highly liquid investments with a maturity of three months or less when purchased, including all bank demand deposits, certificates of deposit, local government investment pool investments reported at amortized cost, money-market and savings accounts. As of September 30, 2021, all the City's cash and investments met this definition.

INVESTMENTS - The types of investments in which the Town may invest are governed by Section 218.415(17), Florida Statutes. In accordance with Section 218.415(17), Florida Statutes, the Town is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories or direct obligations of the U.S. Treasury.

CUSTOMER ACCOUNTS RECEIVABLE - The City does not accrue unbilled utility service fees because the consumption readings are taken very near to year-end and any portion of consumption that is not captured in the final billing of the year is not significant. A reserve for doubtful accounts is maintained in each fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2021, the reserve for doubtful accounts totaled \$1,159 for utility service receivables and \$49,414 for readiness-to-serve receivables. Receivables are reported in the financial statements net of the reserve for doubtful accounts.

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

INVENTORIES - Supply inventories of the general fund and the enterprise funds are immaterial and not recorded as assets. Such items are charged to expense when purchased.

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

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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

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

<u>Type</u>	<u>Years</u>
Utility plant in service	40
Buildings and improvements	10 - 30
Infrastructure	40
Machinery and equipment	3 - 10
Vehicles	5 - 7

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

INTEREST COSTS - Interest costs incurred before the end of a construction period is a financing activity separate from the related capital asset and interest costs incurred before the end of the construction period are recognized as an expense in the period in which the cost is incurred. These interest costs are not capitalized as part of the historical cost of the capital asset.

PENSIONS – In the government-wide statement of net position, liabilities are recognized for the City’s proportionate share of each pension plan’s net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The City’s retirement plans and related amounts are described in a subsequent note.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents and acquisition of net position that applies

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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

to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The City has deferred outflows/inflows of resources that are related to pensions that qualify for reporting in these categories. The deferred outflows/inflows related to pensions are reported only in the government-wide and proprietary fund statement of net position. A deferred amount related to pensions results from the difference in the expected and actual amounts of experience, earnings, and contributions. These amounts are deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over five years. Actual contributions made to the pension plans subsequent to the measurement date are also reported as deferred outflows of resources at year-end and reflected as a reduction in the net pension liability in the subsequent year.

The City also reports a deferred charge on bond refunding as a deferred outflow of resources which is the difference in the carrying value of a refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts and any bond insurance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs, other than bond insurance costs, are reported, as expenditures/expenses in the period incurred, Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures when due. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES - Sick leave is credited to an employee on the basis of nine hours per month of service not to exceed ninety days. Accumulated sick leave does not vest and is not paid upon termination of employment. Vacation leave is credited to an employee depending on years of service, ranging from four to sixteen days per year. Vacation leave accumulation is limited to 160 hours for hourly employees and 240 hours for salaried employees. Eligible employees accumulate two personal days a year not to exceed ten days.

The liability for these compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

CONNECTION FEES AND IMPACT FEES - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received which reserve capacity in the City's future water or sewer facilities are deferred and reported as capital contributions when the requirements of the Developer agreements are met by the City.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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

INTERFUND TRANSFERS - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual enterprise funds, when applicable, are eliminated.

EQUITY CLASSIFICATIONS -

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

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, prepaid bond insurance costs and the deferred charge on bond refunding which is then reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of restricted assets reduced by liabilities related to those assets. The government-wide statement of net position reports \$4,067,348 of restricted net position of which \$3,817,087 is restricted by enabling legislation.
- c) Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

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

Unassigned – all other spendable amounts.

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - PROPERTY TAX CALENDAR

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 Polk County Property Appraiser and Polk County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the County, independent districts and the Polk County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2021 was 6.000.

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February.

The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Ordinance on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City Ordinance establishes the legal level of budgetary control at the individual fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the City Commission.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS

A common cash and cash equivalent pool is maintained for use by all governmental and proprietary funds. The “cash and cash equivalents” on the city-wide financial statements consists of each funds’ claim on the pooled cash and cash equivalents pool and defined as resources that can be liquidated without a significant delay or penalty. Cash and cash equivalents segregated as required by bond covenants or enabling legislation are classified as “restricted assets”. Investment earnings are allocated to the individual funds monthly based on the funds’ weighted average monthly cash and investment balance. The City does not have a formal investment policy and are therefore required to adhere to Section 218.415 (17), Florida Statutes which allows the City to invest surplus funds in the following investments: Local Government Surplus Funds Trust Fund, money market funds with the highest credit quality rating, time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.

Deposits and investments as of September 30, 2021:

Cash and cash equivalents:	
Cash on hand	\$ 575
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	5,928,254
FL SAFE Stable NAV Fund	<u>5,001,393</u>
Total cash and cash equivalents	<u>\$ 10,930,222</u>

Custodial Credit Risk-Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s cash deposits may not be returned to the City.

The City’s deposits (cash and certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. All deposits are held in *qualified public* depositories. These depositories participate in a shared risk collateral pool overseen by the State of Florida and established by Florida Statute. The State of Florida collateral pool is a multiple financial institution pool which provides for additional amounts to be assessed to the members of the pool if the value of the pool’s collateral is inadequate to cover a loss. The amounts covered by the pool are considered *insured* for financial reporting disclosure requirements. Because of this arrangement, management believes the City’s deposits are not exposed to custodial credit risk.

Custodial credit risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City has no formal policy regarding custodial credit risk. The City’s investments in the FL SAFE Stable NAV fund are investments in external investment pools and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest rate and credit risk

Interest rate risk exists when there is a possibility that change in interest rates could adversely affect an investment’s fair value. Credit risk exists when there is a possibility the issuer or other counterparty to an

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS (cont....)

investment may be unable to fulfil its obligations. Information related to interest rate and credit risk for the City's fixed income investments on September 30, 2021 is summarized below:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (WAM)</u>
FL SAFE Stable NAV Fund	AAAm	\$ 5,001,393	WAM 76 days

Investments – Fair Value

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City holds no investments reported at fair value on September 30, 2021:

The FL SAFE Stable NAV fund meets all the necessary criteria to elect to measure all of the investments at amortized cost and as such, these investments are reported as a component of cash and cash equivalents measured at amortized cost.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 412,542	\$ -	\$ -	\$ 412,542
Total	\$ 412,542	\$ -	\$ -	\$ 412,542
Capital assets being depreciated:				
Buildings and Improvements	\$ 3,531,415	\$ 4,876	\$ -	\$ 3,536,291
Recreational Facilities	503,467	-	-	503,467
Equipment	608,676	55,797	-	664,473
Infrastructure:				
Sidewalk Systems	129,383	-	-	129,383
Drainage Systems	75,626	-	-	75,626
Total	4,848,567	60,673	-	4,909,240
Less, Accumulated Depreciation:				
Buildings and Improvements	(1,125,508)	(86,996)	-	(1,212,504)
Recreational Facilities	(366,756)	(17,478)	-	(384,234)
Equipment	(457,530)	(37,752)	-	(495,282)
Infrastructure:				
Sidewalk Systems	(40,850)	(3,673)	-	(44,523)
Drainage Systems	(28,739)	(1,891)	-	(30,630)
Total Accumulated Depreciation	(2,019,383)	(147,790)	-	(2,167,173)
Total Depreciable Capital Assets, Net	\$ 2,829,184	\$ (87,117)	\$ -	\$ 2,742,067
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,762,913	\$ -	\$ -	\$ 2,762,913
Construction in progress	20,211	28,872	-	49,083
Total	\$ 2,783,124	\$ 28,872	\$ -	\$ 2,811,996
Capital assets being depreciated:				
Utility Plant	\$ 15,916,445	\$ 106,248	\$ -	\$ 16,022,693
Equipment	590,179	98,991	-	689,170
Total	16,506,624	205,239	-	16,711,863
Less, Accumulated Depreciation:				
Utility Plant	(4,226,400)	(395,599)	-	(4,621,999)
Equipment	(327,210)	(47,731)	-	(374,941)
Total Accumulated Depreciation	(4,553,610)	(443,330)	-	(4,996,940)
Total Depreciable Capital Assets, Net	\$ 11,953,014	\$ (238,091)	\$ -	\$ 11,714,923

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$ 80,638
Streets	31,986
Parks and recreation	33,275
Stormwater utility	<u>1,891</u>
Total depreciation expense - governmental activities	<u>\$ 147,790</u>

Business-type Activities:

Water and sewer	<u>\$ 443,330</u>
Total depreciation expense - business-type activities	<u>\$ 443,330</u>

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities					
Long-Term Debt:					
Notes Payable:					
Citizens Bank and Trust					
Installment Note	\$ 1,202,199	\$ -	\$ (79,615)	\$ 1,122,584	\$ 82,401
Total Notes Payable	<u>1,202,199</u>	<u>-</u>	<u>(79,615)</u>	<u>1,122,584</u>	<u>82,401</u>
Other Liabilities:					
Compensated Absences	58,881	3,310	-	62,191	-
Net Pension Liability	955,224	-	(548,140)	407,084	-
Total Other Liabilities	<u>1,014,105</u>	<u>3,310</u>	<u>(548,140)</u>	<u>469,275</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 2,216,304</u>	<u>\$ 3,310</u>	<u>\$ (627,755)</u>	<u>1,591,859</u>	<u>\$ 82,401</u>
Less Amount Due in One Year				(82,401)	
Net Long-Term Debt Due After One Year				<u>\$ 1,509,458</u>	
Business-Type Activities					
Long-Term Debt:					
Direct borrowings or placements:					
Notes Payable:					
Installment Note to Florida Department of Environmental Protection (WW51201P)	\$ 1,934,355	\$ -	\$ (128,359)	\$ 1,805,996	\$ 131,471
Installment Note to Florida Department of Environmental Protection (WW531400)	33,939	-	(1,716)	32,223	1,728
Installment Note to Florida Department of Environmental Protection (WW531402)	2,103,111	-	(1,298,106)	805,005	26,968
Tax-Exempt Leasing	22,847	-	(22,847)	-	-
Total Notes Payable	<u>4,094,252</u>	<u>-</u>	<u>(1,451,028)</u>	<u>2,643,224</u>	<u>160,167</u>
Other long-term debt:					
Revenue Certificates:					
Series 2017 Water/ Sewer System, Refunding Revenue Bonds	7,935,000	-	(260,000)	7,675,000	265,000
Add premium on Series 2017	556,556	-	(44,931)	511,625	-
Total Revenue Certificates	<u>8,491,556</u>	<u>-</u>	<u>(304,931)</u>	<u>8,186,625</u>	<u>265,000</u>
Other Liabilities:					
Compensated Absences	12,545	-	(14)	12,531	-
Net Pension Liability	237,688	-	(116,120)	121,568	-
Total Other Liabilities	<u>250,233</u>	<u>-</u>	<u>(116,134)</u>	<u>134,099</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 12,836,041</u>	<u>\$ -</u>	<u>\$ (1,872,093)</u>	<u>10,963,948</u>	<u>\$ 425,167</u>
Less Amount Due in One Year				(425,167)	
Net Long-Term Debt Due After One Year				<u>\$ 10,538,781</u>	

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table

Long term liabilities, including compensated absences, are typically liquidated by the individual fund to which the liability is directly associated.

Governmental Activities:

- Citizens Bank and Trust Installment Note – This note is secured by all revenues of the City's communications service tax and the City's half-cent sales tax. This note bears interest at 3.4%, with monthly principal and interest payments on the first day of each month, with a final maturity of January 1, 2033. The note proceeds were used to retire the City's outstanding Series 2007 Capital Improvement Revenue Bonds which were used to construct the City's administration facilities.

Business-Type Activities:

- Series 2017 Water and Sewer System Refunding Revenue Bonds – The Water and Sewer System Refunding Revenue Bonds, Series 2017 are secured by the net revenues of the system, certain public service tax revenues, and moneys on deposit in various funds and accounts of the City. The Series 2017 bonds bear interest at 3.00 – 4.25 with a final maturity of August 1, 2041. The bonds require the maintenance of sinking, and renewal and replacement funds.

The Series 2017 bond proceeds were used to advance refund the City's outstanding Water and Sewer System Capital Improvement and Refunding Bonds, Series 2011A and to pay the costs of issuance of the Series 2017 Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$939,356. This amount has been deferred and is being amortized over the remaining life of the new debt.

- Installment Note to Florida Department of Environmental Protection (WW 51201P) - This note is secured by the net revenues of the sewer system and sewer impact fees. The note bears interest at 2.41%, with semi-annual principal and interest payments on March 15 and September 15 with a final maturity in September 2033. The note proceeds were used to fund the planning, administrative, and engineering costs for construction of wastewater transmission, collection, reuse and treatment facilities. The Note requires the maintenance of a sinking fund.
- Installment Note to Florida Department of Environmental Protection (WW 531400) - This note is secured by the net revenues of the water and sewer system. The note bears interest at 0.76%, with semi-annual principal and interest payments on March 15 and September 15 with a final maturity in September 2039. The note proceeds were used to fund the design of wastewater pollution control facilities. The Note requires the maintenance of a sinking fund.
- Installment Note to Florida Department of Environmental Protection (WW 531402) - This note is secured by the net revenues of the water and sewer system. The note bears interest at 0.46%, with semi-annual principal and interest payments on May 15 and November 15 with a final maturity in November 2041. The note proceeds were used to fund the construction of wastewater pollution control facilities. The Note requires the maintenance of a sinking fund.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

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

Maturities:

Annual requirements to repay all long-term bonds and notes payable as of September 30, 2021, were as follows:

Fiscal Year Ending September 30,	Governmental Activities	
	Direct borrowings and direct placements	
	Principal	Interest
2022	\$ 82,401	\$ 37,385
2023	85,286	34,501
2024	88,271	31,516
2025	91,361	28,426
2026	94,559	25,228
2027-2032	524,823	74,110
2032-2036	155,883	3,831
Total	\$ 1,122,584	\$ 234,997

Fiscal Year Ending September 30,	Business-Type Activities					
	Direct borrowings and direct placements		Other long-term debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 160,167	\$ 44,641	\$ 265,000	\$ 303,925	\$ 425,167	\$ 348,566
2023	163,422	41,386	275,000	295,975	438,422	337,361
2024	166,754	38,053	280,000	287,725	446,754	325,778
2025	177,100	27,709	290,000	279,325	467,100	307,034
2026	180,761	24,047	300,000	267,725	480,761	291,772
2027-2032	925,477	98,562	1,695,000	1,148,825	2,620,477	1,247,387
2032-2036	469,988	31,426	2,060,000	781,425	2,529,988	812,851
2037-2041	116,448	2,996	2,510,000	327,800	2,626,448	330,796
2042-2046	112,521	1,998	-	-	112,521	1,998
2047-2050	113,481	1,038	-	-	113,481	1,038
Add: unamortized bond premium	57,106	154	511,625	-	511,625	-
Total	\$ 2,643,225	\$ 312,010	\$ 8,186,625	\$ 3,692,725	\$ 10,772,744	\$ 4,004,581

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 – FUTURE REVENUES THAT ARE PLEDGED

The City has pledged various future revenue sources for various debt issues. For the water and sewer systems, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in Note 6.

<u>Pledged Revenue</u>	<u>Principal and Interest Outstanding</u>	<u>Principal and Interest Paid (*)</u>	<u>Current Year Revenue</u>	<u>% of Revenues to Principal and Interest Paid</u>
Communication services tax pursuant to Section 202.19, Florida Statutes and the half cent sales tax pursuant to part VI of Chapter 218, Florida Statutes	\$ 1,357,580	\$ 119,787	\$ 380,282	317.47%
Water and sewer system net revenue and sewer impact fees	14,322,959	777,308	1,733,084	222.96%

() - The reported principal and interest paid related to the debt secured by water and sewer system revenues and sewer impact fees do not include the principal forgiveness grant of \$1,274,199 which was applied as a reduction in the principal amount of the installment note to Florida Department of Environmental Protection (WW531402) during 2021.*

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transactions are summarized below:

Interfund transfers for the year ending September 30, 2021 consisted of:

Receiving Fund	Paying Fund	Amount
General Fund	Enterprise Fund	\$ 155,000

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

There were no interfund receivables and payables on September 30, 2021.

NOTE 9 - PENSION PLAN

Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were as follows:

Class	Prior to July 1, 2021		After July 1, 2021	
	Employee	Employer (A)	Employee	Employer (A)
	Regular	3.00%	10.00%	3.00%
Senior Management	3.00%	27.29%	3.00%	29.01%

Note (A) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates include 0.06 percent for administrative costs of the Investment Plan.

The City's contributions to the Plan totaled \$83,420 for the fiscal year ended September 30, 2021.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2021, the City reported a liability of \$184,677 for its proportionate share of the Plan's 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 based on the City's contributions for the year ended June 30, 2021 relative to the contributions of all participating members for that period. At June 30, 2021, the City's proportionate share was 0.0024447970 percent, which was an increase of 0.000396525 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized pension benefit (negative pension expense) of \$53,797. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,654	\$ -
Change of assumptions	126,365	-
Net difference between projected and actual earnings on FRS pension plan investments	-	644,291
Changes in proportion and differences between City FRS contributions and proportionate share of contributions	176,344	722
City FRS contributions subsequent to the measurement date	29,605	-
Total	<u>\$ 363,968</u>	<u>\$ 645,013</u>

The deferred outflows of resources related to pensions, totaling \$29,065, resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

Fiscal Year Ending September 30	Amount
2022	\$ (40,516)
2023	(54,229)
2024	(92,131)
2025	(140,046)
2026	16,272
	\$ (310,650)

Actuarial Assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

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

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

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	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	<u>3.7%</u>	5.7%	5.4%	8.4%
Total	<u><u>100%</u></u>			
Assumed inflation - Mean			2.4%	1.2%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 percent. 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.

Sensitivity of the City's Proportionate Share of the Net Position 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 6.80 percent, 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 percent) or 1 percentage-point higher (7.80percent) than the current rate.

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
City's proportionate share of the net pension liability (asset)	<u>\$ 825,886</u>	<u>\$ 184,677</u>	<u>\$ (351,303)</u>

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

Payables to the Pension Plan. At September 30, 2021, the City reported a payable of \$-0- for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2021.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution rate for the period of July 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021 was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$20,855 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At September 30, 2021, the City reported a net pension liability of \$343,975 for its proportionate share of the HIS Plan's 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 based on the City's contributions for the year ended June 30, 2021 relative to the contributions of all participating members for that period. At June 30, 2021, the City's proportionate share was 0.0028041700 percent, which was an increase of 0.0003048300 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized the HIS Plan pension expense of \$32,354. In addition, the City reported deferred outflows of resources related to pensions from the following sources:

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,510	\$ 144
Change of assumptions	27,029	14,173
Net difference between projected and actual earnings on HIS pension plan investments	359	-
Changes in proportion and differences between City HIS contributions and proportionate share of HIS contributions	94,814	753
City contributions subsequent to the measurement date	4,722	-
Total	<u>\$ 138,434</u>	<u>\$ 15,070</u>

The deferred outflows of resources, totaling \$4,722, was related to pensions resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. 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>Fiscal Year Ending September 30</u>	<u>Amount</u>
2022	\$ 29,227
2023	24,481
2024	26,257
2025	22,538
2026	12,860
Thereafter	<u>3,279</u>
	<u>\$ 118,642</u>

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

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 percent
Salary Increases	3.25 percent, average, including inflation
Discount rate	2.16 percent

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

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

Discount Rate. The discount rate used to measure the total pension liability was 2.16 percent. 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 FRS Actuarial Conference.

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 percent, 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 (1.16percent) or 1 percentage point higher (3.16percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
City's proportionate share of the net pension liability	<u>\$ 397,667</u>	<u>\$ 343,975</u>	<u>\$ 299,984</u>

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

Payables to the Pension Plan. At September 30, 2021, the City reported a payable of \$-0- for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2021.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - PENSION PLAN (cont....)

Florida Retirement System (FRS) – Defined Contribution Pension Plan

FRS Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Comprehensive Annual 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. City employees already participating in the DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2021, the information for forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City’s contributions to the Investment Plan totaled \$21,767 for the fiscal year ended September 30, 2021.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

The City follows GASB Cod. Sec. P52 for certain post-employment health care and dental benefits provided by the City.

Plan Description – The Other Postemployment Benefits Plan (OPEB Plan) is a single employer defined benefit plan administered by the City. The OPEB Plan allows employees who retire and meet retirement eligibility requirements under the applicable City retirement plan to continue medical insurance coverage as a participant in the City’s health insurance plan.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City’s healthcare and life insurance benefits. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. The OPEB Plan doesn’t issue a stand-alone financial report and is not included in the annual report of a public employee retirement system of another entity.

There are currently ___ active plan members and no inactive plan members.

Funding Policy – Currently, the City’s OPEB benefits are unfunded. The City has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis.

Benefits Provided – The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City who meet the eligibility requirements of the applicable City retirement plan are eligible to receive postemployment health care benefits. All retiree, spouse and dependent coverage is at the expense of the retiree.

Total OPEB Liability – The City’s total OPEB liability as of September 30, 2021 was determined by an actuarial valuation as of October 1, 2020. The actuarial assumptions used in the October 1, 2020 valuation were as follows:

Inflation	3.00%
Salary Increases	3.00%
Discount Rate	2.43%
Initial Trend Rate	7.50%
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	5

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (cont....)

Mortality assumptions used were sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) with full generational improvements in mortality using Scale MP-2020.

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 2.43%, The high-quality bond rate was based on the return on the Standard & Poor's Corp.'s Municipal Bond 20-year High Grade Index as of the measurement date.

The results of the October 1, 2020 actuarial valuation produced an estimated actuarial determined OPEB obligation and OPEB expense that was immaterial to the City's financial statements and accordingly, there is no OPEB liability recorded in the financial statements.

NOTE 11 – JOINT VENTURE

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

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

The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2021, the total annual working capital needs of the PRWC was \$198,000 of which the City's proportionate share was \$1,097.

Effective April 19, 2021, the City entered into a project implementation agreement with other PRWC participating governments for the West Polk Lower Floridan Wellfield project. The purpose of the agreement is to govern the design, permitting, construction, operation, maintenance, and funding of the alternative water project. The City's commitment as a party to this agreement is to pay the PRWC for alternative water services consisting of a base rate charge and a water use rate charge. The City will be notified as to the amount of these water charges on or before May 31st prior to the fiscal year in which finished water service is scheduled to commence and on or before May 31st thereafter. The expected date of finished water production from this project or the future water charges are indeterminable as of the date of this report.

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 12 – RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2021 or the previous two years. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the City. The City's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool. Settled claims resulting from these risks have not exceeded insurance coverage.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

- The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, liabilities from the lease agreements are not reflected in the City's account groups. Remaining minimum lease payments are not significant.
- The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2021, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.
- Effective October 17, 2016, the City contracted with the Polk County Sheriff to provide enhanced law enforcement services within the City through the fiscal year ended September 30, 2021. The annual cost increases 2% per year over the term of the contract. Under the agreement, the City paid \$103,323 for base services and \$28,200 for additional services for the fiscal year ended September 30, 2021. Subsequently, the City renewed its contract with the Polk County Sheriff for the period of October 1, 2021 through September 30, 2025. The renewed contract calls for the following minimum costs:

Fiscal Year Ending September 30,	Annual Cost
2022	\$ 105,389
2023	\$ 107,497
2024	\$ 109,647
2025	\$ 111,840

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 14 – RESTATEMENTS

- *Change in Accounting Principles:*
 - During the fiscal year ended September 30, 2021, the City implemented the provisions of GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes new criteria for identifying fiduciary activities which, when met, require that the activities be reported in a fiduciary fund in the basic financial statements. A statement of fiduciary net position and a statement of changes in fiduciary net position are required to be presented for these activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds (formerly agency funds). Implementation of this Statement did not require a restatement of net position or fund balance but resulted in the creation of a custodial fund to account for fees collected on behalf of other governments. See Note 1 for more information about the City's fund structure.
 - In response to the changes to Section 163.31801, Florida Statutes, the City has established the impact fee special revenue fund effective October 1, 2020 to account for the financial transactions of the Town impact fees, including water and sewer impact fees that were previously reported in the enterprise fund. This reporting change is considered a change in accounting principle and as a result, fund balance of the general fund, as previously reported, were decreased and the beginning of the year fund balance of the impact fee special revenue fund was increased by this same amount of \$1,089,182.
- *Correction of Error:*
 - During the fiscal year ended September 30, 2021, the Town identified certain water and sewer infrastructure capital assets that were constructed and donated to the City by developers in prior years. Because the City has ongoing repair and maintenance responsibilities for these assets, they were required to be recorded at their acquisition values at the date of donation which preceded the beginning of the current fiscal year (October 1, 2020). As a result, these capital assets were recorded by restating beginning net position of the enterprise fund by \$513,385 and a depreciable capital asset of the same amount.



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REQUIRED SUPPLEMENTARY INFORMATION

POLK CITY, FLORIDA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (inflows):				
Taxes	\$ 1,729,157	\$ 1,729,157	\$ 1,788,639	\$ 59,482
Licenses and permits	126,790	126,790	173,361	46,571
Intergovernmental revenue	905,358	905,358	328,490	(576,868)
Charges for services	359,416	359,416	404,769	45,353
Fines and forfeitures	4,000	4,000	43,258	39,258
Impact fees	57,743	57,743	-	(57,743)
Other	16,680	16,680	16,870	190
Amounts available for appropriations	3,199,144	3,199,144	2,755,387	(443,757)
CHARGES TO APPROPRIATIONS (outflows):				
General government	786,492	786,492	684,731	101,761
Public safety	418,776	418,776	420,969	(2,193)
Physical environment	464,051	464,051	424,791	39,260
Transportation	473,002	473,002	426,141	46,861
Culture/recreation	205,611	205,611	169,987	35,624
Capital outlay	726,000	726,000	71,359	654,641
Debt service	119,812	119,812	119,811	1
Total charges to appropriations	3,193,744	3,193,744	2,317,789	875,955
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	5,400	5,400	437,598	432,198
OTHER FINANCING SOURCES (USES);				
Transfer from enterprise fund	155,000	155,000	155,000	-
Total other financing sources	155,000	155,000	155,000	-
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS AND OTHER FINANCING SOURCES				
	160,400	160,400	\$ 592,598	\$ 432,198
Reserves carried to subsequent year	(160,400)	(160,400)		
NET CHANGE IN FUND BALANCE	\$ -	\$ -		

POLK CITY, FLORIDA

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

Last Ten Fiscal Years *

**Schedule of the City's Proportionate Share of the Net Pension Liability –
Florida Retirement System Pension Plan (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the FRS net pension liability (asset)	0.002444797%	0.002048272%	0.001965433%	0.001607192%
City's proportionate share of the FRS net pension liability (asset)	\$ 184,677	\$ 887,751	\$ 676,868	\$ 484,095
City's covered payroll (2)	\$ 992,952	\$ 867,651	\$ 804,096	\$ 588,735
City's proportionate share of the FRS net pension liability (asset) as a percentage of its covered payroll	18.60%	102.32%	84.18%	82.23%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the FRS net pension liability (asset)	0.001287606%	0.001273210%	0.001355257%	0.001118460%
City's proportionate share of the FRS net pension liability (asset)	\$ 380,865	\$ 321,486	\$ 175,050	\$ 68,243
City's covered payroll (2)	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
City's proportionate share of the FRS net pension liability (asset) as a percentage of its covered payroll	91.66%	84.78%	45.96%	20.63%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP because total employer contributions are determined on a uniform basis (blended rate).

POLK CITY, FLORIDA
SCHEDULE OF CITY CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN
Last Ten Fiscal Years *

Schedule of City Contributions – Florida Retirement System Pension Plan (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required FRS contribution	\$ 93,136	\$ 68,055	\$ 60,943	\$ 45,804
FRS contributions in relation to the contractually required contribution	<u>\$ 93,136</u>	<u>\$ 68,055</u>	<u>\$ 60,943</u>	<u>\$ 45,804</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll (2)	\$ 992,952	\$ 867,651	\$ 804,096	\$ 588,735
FRS contributions as a percentage of covered payroll	9.38%	7.84%	7.58%	7.78%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 40,068	\$ 34,559	\$ 32,616	\$ 24,499
FRS contributions in relation to the contractually required contribution	<u>40,068</u>	<u>34,559</u>	<u>32,616</u>	<u>24,499</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll (2)	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
FRS contributions as a percentage of covered payroll	9.64%	9.11%	8.56%	7.41%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP.

* These schedules are 10-year schedules; however, the information in these schedules are not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

POLK CITY, FLORIDA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN

Last Ten Fiscal Years *

Schedule of the City's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the HIS net pension liability (asset)	0.002804170%	0.002499340%	0.002403726%	0.001802214%
City's proportionate share of the HIS net pension liability (asset)	\$ 343,975	\$ 305,161	\$ 268,953	\$ 190,748
City's covered payroll (2)	\$ 992,952	\$ 884,589	\$ 804,096	\$ 588,735
City's proportionate share of the HIS net pension liability (asset) as a percentage of its covered payroll	34.64%	34.50%	33.45%	32.40%
HIS Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the HIS net pension liability (asset)	0.001356602%	0.001297807%	0.001345924%	0.001092189%
City's proportionate share of the HIS net pension liability (asset)	\$ 145,054	\$ 151,254	\$ 137,263	\$ 102,122
City's covered payroll (2)	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
City's proportionate share of the HIS net pension liability (asset) as a percentage of its covered payroll	34.91%	39.89%	36.04%	30.87%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.50%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP because total employer contributions are determined on a uniform basis (blended rate).

POLK CITY, FLORIDA
SCHEDULE OF CITY CONTRIBUTIONS –HEALTH INSURANCE SUBSIDY PENSION PLAN
Last Ten Fiscal Years *

Schedule of City Contributions – Health Insurance Subsidy Pension Plan (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required HIS contribution	\$ 16,483	\$ 14,403	\$ 13,348	\$ 9,773
HIS contributions in relation to the contractually required contribution	<u>16,483</u>	<u>14,403</u>	<u>13,348</u>	<u>9,773</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll (2)	\$ 992,952	\$ 867,651	\$ 804,096	\$ 588,735
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 6,898	\$ 6,294	\$ 5,455	\$ 3,741
HIS contributions in relation to the contractually required contribution	<u>6,898</u>	<u>6,294</u>	<u>5,455</u>	<u>3,741</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll (2)	\$ 415,532	\$ 379,179	\$ 380,883	\$ 330,817
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.43%	1.13%

Notes:

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members and members in DROP.

* These schedules are 10-year schedules; however, the information in these schedules are not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

POLK CITY, FLORIDA

NOTES TO THE SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND HEALTH INSURANCE SUBSIDY PENSION PLAN

1. Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions:

- a. The discount rate decreased from 6.90 percent to 6.80 percent.
- b. The long-term expected rate of return was decreased from 6.90 percent to 6.80 percent.

2. Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions:

- a. The discount rate was decreased from 3.50 percent to 2.21 percent
- b. The municipal bond rate used to determine total pension liability decreased from 3.50 percent to 2.21 percent.

Program Contribution Rates – The Health Insurance Subsidy Pension Plan (HIS) uses a “pay-as-you-go” funding structure. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements and the amount of payroll on which the statutory rate is charged.

The following table shows the number of months of projected benefit payments held by HIS as of each of the following dates:

June 30, 2021	10 months
June 30, 2020	5 months
June 30, 2019	5 months



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GOVERNMENT AUDITING SECTION

POLK CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

State Grants Funding Source and Grant Program	State CSFA #	Grant Number	State Expenditures
State of Florida Department of Environmental Protection: Small Community Wastewater Facility Grant	37.075	531403	\$ 1,316,160
Total State of Florida Department of Environmental Protection			<u>1,316,160</u>
 Total expenditures of State awards			 <u>\$ 1,316,160</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

NOTE A – BASIS OF PRESENTATION: The accompanying Schedule of Expenditures of State Financial Assistance presents the State of Florida grant and loan activity of the Polk City, Florida in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services, Schedule of Expenditure of State Financial Assistance, Rules of the Florida Department of Financial Services; and Chapter 10.550, Rules of the Florida Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – BASIS OF ACCOUNTING: The expenditures in the accompanying Schedule of Expenditures of State Financial Assistance are presented using the accrual basis of accounting.

NOTE C – CONTINGENCY: Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City. As of September 30, 2021, there were no material questioned or disallowed costs as a result of grant or loan audits in process or completed.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH
MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL OF STATE OF FLORIDA*

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

Report on Compliance for Each Major State Project

We have audited the Polk City, Florida's (the "City") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have direct and material effect on each of the City's major state projects for the year ended September 30, 2021. The City's major state projects are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its State financial assistance applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 of the State of Florida*. Those standards and Chapter 10.550, *Rules of the Auditors General of the State of Florida*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

In our opinion, Polk City, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General of the State of Florida*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Accordingly, this report is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 28, 2022

POLK CITY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATING TO STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2021

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to the financial statements reported?

 Yes X No

State Financial Assistance

Type of Auditor's Report Issued on Compliance for Major State Projects

Unmodified Opinion

Internal control over major State projects:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to a major State projects reported?

 Yes X No

Any audit findings disclosed that are required to be reported in accordance with Rule 10.557, *Rules of the Auditor General*

 X Yes No

Major State Project(s):

37.075 - State of Florida Department of Environmental Protection -
Small Community Wastewater Facility Grant

Dollar threshold used to distinguish between Type A and Type B projects:

 \$ 394,848

Section II – Summary Schedule of Prior Audit Findings Related to State Financial Assistance

There were no prior-year audit findings related to state financial assistance.

Section III – Findings and Questioned Costs – Major State Projects

None

Section IV – Current Year Findings Required to be Reported in Accordance with Government Auditing Standards

2021-01 – Bank Reconciliations (*material weakness*)

Criteria: Good internal control requires the activity in the City's bank accounts to be posted to the general ledger and that bank statement reconciliations be performed on a timely basis to afford management the opportunity to detect and correct errors on a timely basis.

Condition: The City's bank account activities were not being reconciled to the general ledger balances in a timely manner. Furthermore, audit procedures detected errors in completed bank reconciliations.

Cause: The bank reconciliation process has been disrupted due to the City's responses to the ongoing effects of the COVID-19 pandemic as well as staff illnesses which delayed the process and allowed inexperienced employees to make entries to the general ledger which were difficult to track and reconcile to the bank account activity.

Effect: Due to the lack of timely and accurate bank reconciliations, there was no assurance that the books and records of the City were complete throughout the year.

Recommendation: We recommend the City take measures to ensure that the bank activity is reconciled to the general ledger and that this reconciliation is to be completed within thirty days after receipt of the monthly bank statements.

Views of responsible officials and planned corrective actions: See accompanying letter of management's response.

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 Commission
Polk City, 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 Polk City, Florida as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Polk City, Florida's basic financial statements, and have issued our report thereon dated June 28, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-01 that we consider to be material weakness.

Compliance and Other Matters

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

Polk City, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Polk City, Florida's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Polk City, Florida's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 28, 2022

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

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

We have examined Polk City, Florida's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2021. Management is responsible for Polk City, Florida's compliance with those specified requirements. Our responsibility is to express an opinion on Polk City, Florida's compliance based on our examination.

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

Our examination does not provide a legal determination of Polk City, Florida's compliance with the specified requirements.

In our opinion, Polk City, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2021.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 28, 2022

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Polk City, Florida as of and for the year ended September 30, 2021, and have issued our report thereon dated June 28, 2022.

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 the following reports and schedule in connection with our audit.

- Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditor's Report on Compliance with Requirements for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the Auditor General*.
- Schedule of Findings and Questioned Costs Related to State Financial Assistance.
- Independent Accountant's Report on Compliance with Section 218.415, *Florida Statutes* conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements of Chapter 10.550, Rules of the Auditor General.

Disclosures in these reports and schedule, which are dated June 28, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of Polk City, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not Polk City, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of Polk City, Florida, we determined that Polk City, Florida did not meet any of the specified 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 Polk City, Florida. It is management's responsibility to monitor Polk City, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we had no such findings.

Purpose of this Letter

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 28, 2022



POLK CITY

123 Broadway Blvd SE
Polk City, Florida 33868
Telephone 863-984-1375
Fax 863-984-2334

June 27, 2022

Honorable Mayor, City Commissioners
Polk City
Polk City FL 33868

RE: Management Letter dated June 27, 2022

Fiscal Year 2021 Audit Findings – Additional Matters and Corrective Action

Finding 2021-01 – Bank Reconciliations (material weakness)

We concur with the Auditor's recommendation and have implemented the measures to ensure that the bank activity is reconciled to the general ledger and is to be completed within thirty days after receipt of the monthly statements.

The Finance Administrator and I met, and agreed the bank reconciliation's will be done within thirty days after receipt of the monthly statements, as well as ensure all entries are correct.

We continue to strive to provide the highest level of financial services and reporting to Polk City.

Respectfully submitted,


Patricia R. Jackson
City Manager

Joanna Knowles
Finance Administrator