

Annual Comprehensive Financial Report

September 30, 2022



Florida

INTRODUCTORY SECTION

	<u>Page</u>
I. Introductory Section:	
Table of Contents	i
List of Principal Officials	iii
Organizational Chart	iv
II. Financial Section:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual	
General Fund	20
Community Redevelopment Agency Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to Financial Statements	26
Required Supplementary Information:	
Retiree Continuation Insurance Plan	53
Schedule of the City's Proportionate Share of Net Pension Liability	54
Schedule of the City's Contributions	55
Combining and Individual Fund Statements and Schedules:	
Major Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Projects Fund	56
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	57
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Nonmajor Governmental Funds	58

III.	Statistical Schedules	59
IV.	Other Reports:	
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	65
	Management Letter	66
	Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	68

MAYOR

Bob Plaisted

CITY COUNCIL

Cabot McBride, Council President

David Ryan, Council Member

Jacquie Hepfer, Council Member

Gene Davis, Council Member

Linda Bega, Council Member

STAFF

City Manager

Eric Williams

City Clerk

Susan Jackson

Human Resources/Executive

Tina Williams

Finance Director

Richard A. LaCondre

Public Works Director

Corey Dilmore

Information Technology

Joey Johnston

Community Development

Greg Rice

Parks and Recreation and Cultural Affairs

Randall Worley

Fire Rescue

Robert Bessler

LEGAL COUNSEL

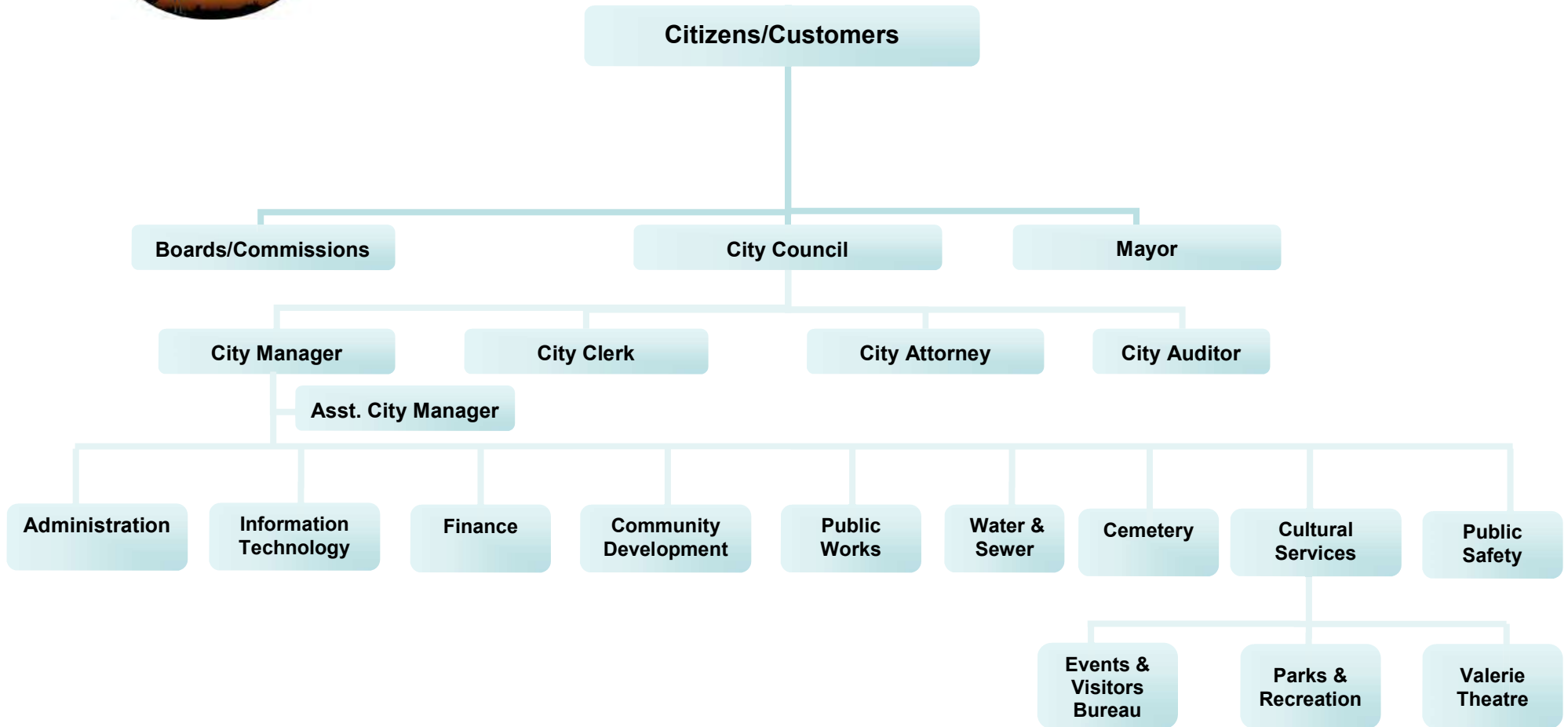
Gilligan, Gooding, Bastel, Anderson & Phelan, P.A.

AUDITORS

McDimit Davis, LLC



City of Inverness, Florida



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Inverness, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inverness, Florida, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, and community redevelopment agency fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Inverness, Florida, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis, and pension and the other postemployment benefits disclosures on pages 3 through 13, and 53 through 55 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, 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.

Supplementary Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the financial statements taken as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical schedules but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2023 on our consideration of the City of Inverness, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Inverness's internal control over financial reporting and compliance.

McDermitt Davis

Orlando, Florida
May 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities of the City of Inverness (the "City") for the fiscal year ended September 30, 2022 is designed to assist the reader in a) focusing on significant financial issues, b) providing an overview of the City's financial activity, c) identifying changes in the City's financial position, d) identifying any material deviations from the approved budget, and e) identifying individual fund issues or concerns. Please read it in conjunction with the City's Independent Auditor's Report, financial statements, and accompanying notes.

Introduction

As the City of Inverness prepared for the FY2022 fiscal year, it embarked on a path that would be sustainable through the continued economic recovery from the COVID-19 pandemic and beyond. The path involved an increased awareness of how the city viewed its operations and deployed the assets in a more meaningful and sustainable way. The City continued the use of its mantra "Plan, Fund, and Execute" which assists in meeting goals and objectives.

The spending plan focused on capital projects, efficient service delivery and accomplishing goals and objectives. This approach addressed citizen needs, broadened the tax base and increased the return on investment.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$75,965,323 (*net position*). Of this amount, \$27,480,885 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,118,307 or 2.87%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,322,435. Approximately 29% of this total amount, \$6,666,741 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,666,741 or 75% of total general fund expenditures and transfers out.
- The City's total Business-type debt decreased by \$331,846 or 9% during the current fiscal year.

Using this Annual Report

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds

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

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

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

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Notes to the Financial Statements

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

Required Supplementary Information (RSI)

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

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the RSI. Combining and individual fund statements and schedules can be found on pages 56-58 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$75,965,323 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (62%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$27,480,885) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2022, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The following table reflects the condensed Statement of Net Position for the current and prior year. For more detail see the Statement of Net Position on page 14.

Statement of Net Position
As of September 30,

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 26,637,682	\$ 21,284,666	\$ 10,270,104	\$ 9,742,861	\$ 36,907,786	\$ 31,027,527
Restricted assets	1,440,417	1,430,119	390,659	380,266	1,831,076	1,810,385
Capital assets	37,697,555	37,628,560	23,242,801	23,850,681	60,940,356	61,479,241
Total assets	65,775,654	60,343,345	33,903,564	33,973,808	99,679,218	94,317,153
Deferred outflows	989,550	766,838	85,182	65,140	1,074,732	831,978
Current liabilities	4,591,027	967,513	236,490	419,935	4,827,517	1,387,448
Long term liabilities	15,586,815	13,781,772	3,514,707	3,657,035	19,101,522	17,438,807
Other liabilities	-	-	356,044	347,215	356,044	347,215
Total liabilities	20,177,842	14,749,285	4,107,241	4,424,185	24,285,083	19,173,470
Deferred inflows	490,777	1,961,980	12,767	166,665	503,544	2,128,645
Net position:						
Net investment in capital assets	27,010,028	26,605,972	20,030,222	20,306,256	47,040,250	46,912,228
Restricted	1,042,339	1,390,659	401,849	367,011	1,444,188	1,757,670
Unrestricted	18,044,218	16,402,287	9,436,667	8,774,831	27,480,885	25,177,118
Total net position	\$ 46,096,585	\$ 44,398,918	\$ 29,868,738	\$ 29,448,098	\$ 75,965,323	\$ 73,847,016

Statement of Activities

The following table reflects the condensed Statement of Activities for the current and prior year. For more detailed information see the Statement of Activities on page 15. Note that total net position increased by \$2,118,307.

Net position for governmental activities increased by \$1,697,667. Key element of this change was:

- Increased collection of revenue earned, decreasing deferred inflows.

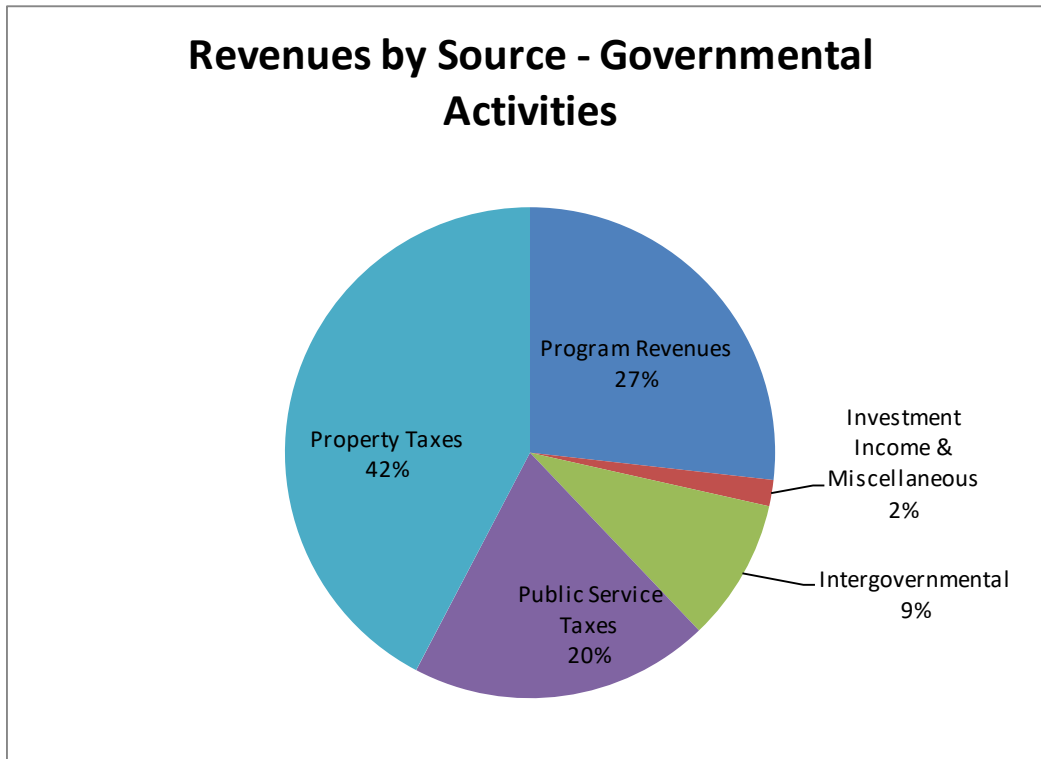
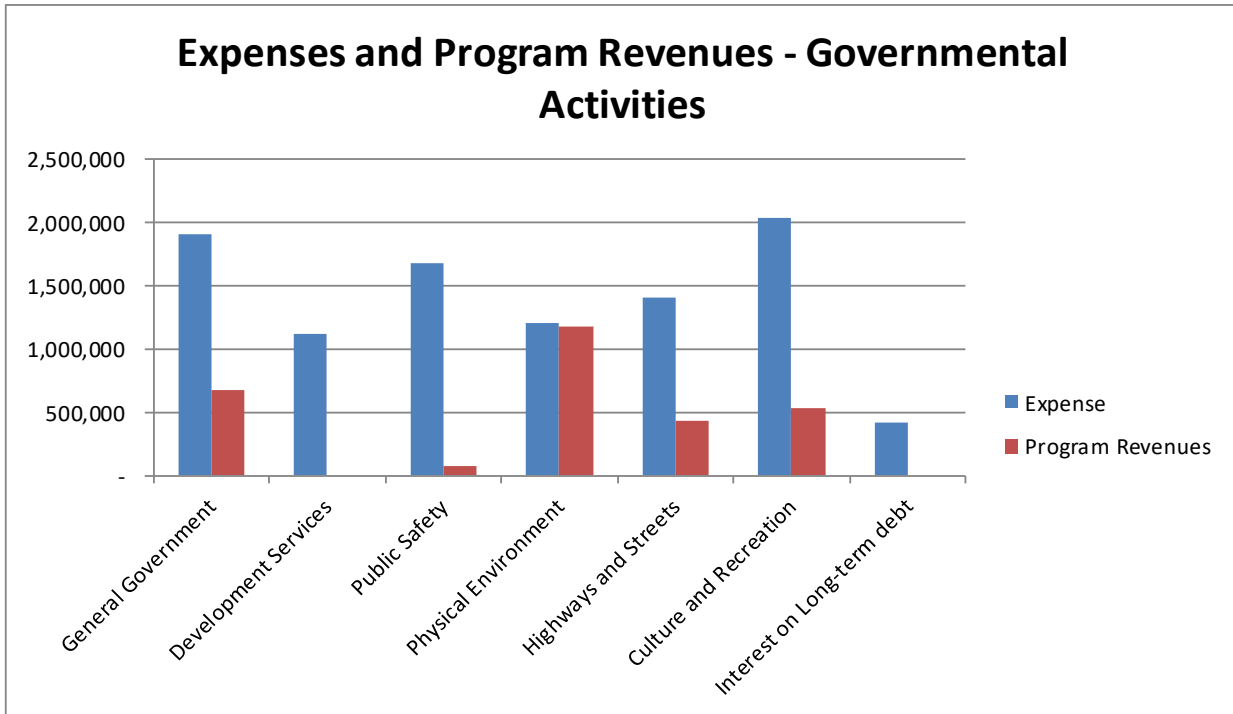
Net position for business-type activities increased by \$420,640. The key element of this change was:

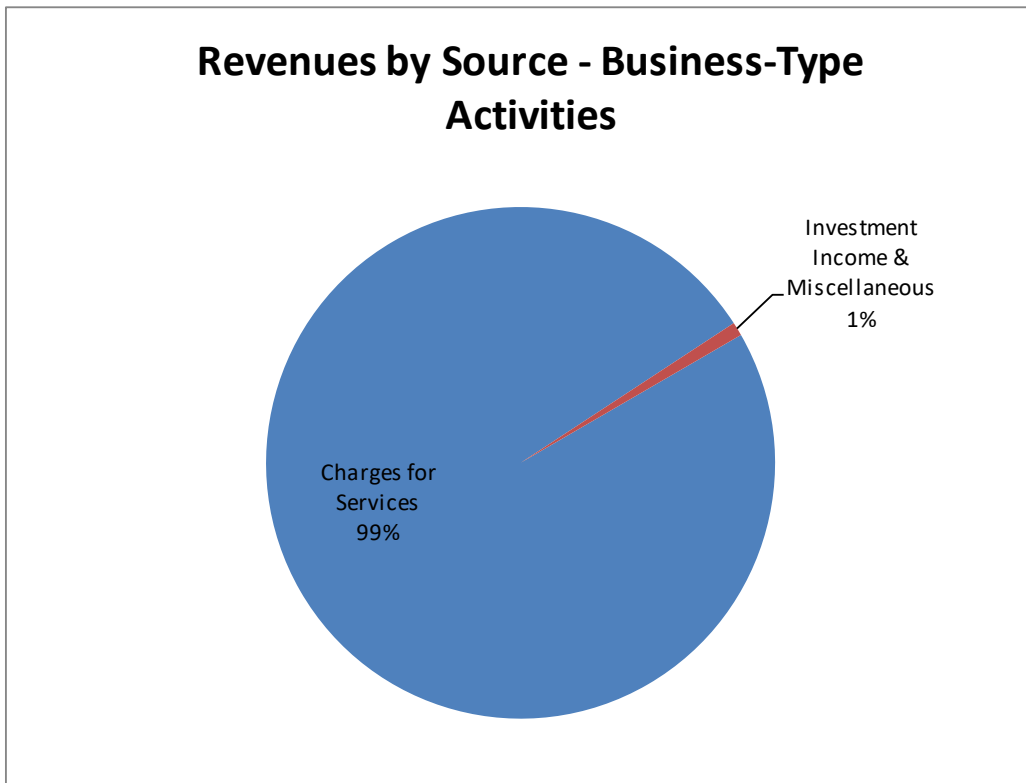
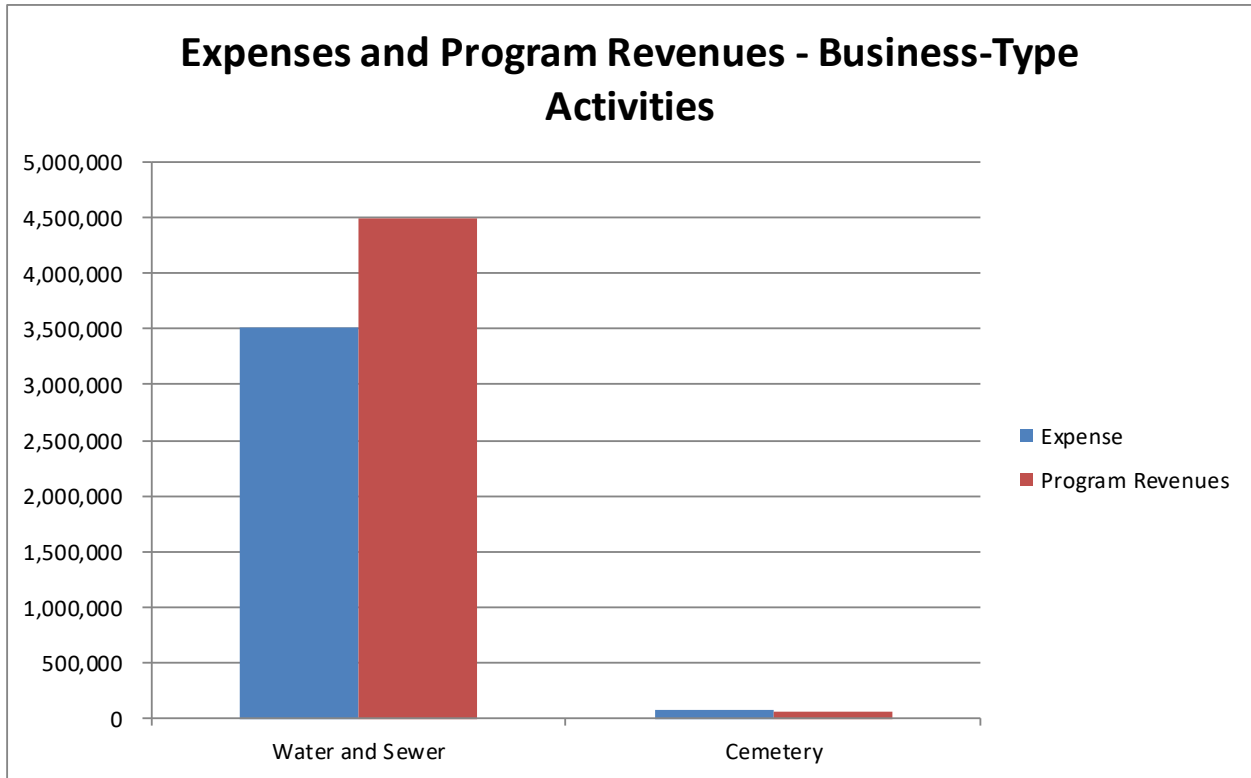
- Continued service delivery improvements collections.

City of Inverness, Florida
Management's Discussion and Analysis

Changes in Net Position
For the Years Ended September 30,

	Governmental Activities		Business Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,560,488	\$ 2,389,113	\$ 4,558,355	\$ 4,602,889	\$ 7,118,843	\$ 6,992,002
Operating grants and contributions	353,535	1,325,830	-	-	353,535	1,325,830
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property and other taxes	4,604,768	4,583,569	-	-	4,604,768	4,583,569
Other taxes and fees	2,155,051	2,031,279	-	-	2,155,051	2,031,279
Intergovernmental	1,022,378	878,632	-	-	1,022,378	878,632
Other	187,871	251,225	39,455	13,659	227,326	264,884
Total revenues	10,884,091	11,459,648	4,597,810	4,616,548	15,481,901	16,076,196
Expenses:						
General government	1,909,948	1,725,271	-	-	1,909,948	1,725,271
Community development services	1,117,366	1,288,082	-	-	1,117,366	1,288,082
Public safety	1,682,431	1,309,064	-	-	1,682,431	1,309,064
Physical environment	1,199,331	1,179,297	-	-	1,199,331	1,179,297
Roads and streets	1,403,363	1,230,571	-	-	1,403,363	1,230,571
Culture and recreation	2,032,215	1,687,261	-	-	2,032,215	1,687,261
Interest on long-term debt	419,270	431,320	-	-	419,270	431,320
Water and sewer	-	-	3,518,326	3,367,793	3,518,326	3,367,793
Cemetery	-	-	81,344	76,193	81,344	76,193
Total expenses	9,763,924	8,850,866	3,599,670	3,443,986	13,363,594	12,294,852
Increase (decrease) in net position before transfers	1,120,167	2,608,782	998,140	1,172,562	2,118,307	3,781,344
Transfers	577,500	560,500	(577,500)	(560,500)	-	-
Increase (decrease) in net position	1,697,667	3,169,282	420,640	612,062	2,118,307	3,781,344
Net position, October 1	44,398,918	41,229,636	29,448,098	28,429,588	73,847,016	69,659,224
Prior period adjustment	-	-	-	406,448	-	406,448
Net Position, September 30	\$ 46,096,585	\$ 44,398,918	\$ 29,868,738	\$ 29,448,098	\$ 75,965,323	\$ 73,847,016





Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$23,322,435, an increase of \$1,392,163. Approximately 29% or \$6,666,741 of this total constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$6,666,741 while total fund balance reached \$13,044,171. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 75% of total general fund expenditures and transfers out, compared to 114% for last year. Total fund balance represents 147% of total general fund expenditures and transfers out, compared to 152% for last year.

Fund balance of the City's General Fund increased by \$1,442,457 due to reductions in expenditures and increased revenues.

The Community Redevelopment Special Revenue Fund is considered a major fund. This fund was created in 1990 as a dependent taxing district. The incremental annual increase in tax over the base years is used to fund projects. As of September 30, 2022, the fund balance was \$1,931,306 a decrease of \$198,606. This decrease is a result of increased expenditures.

The fund balance of the Capital Projects Fund increased \$77,325 as a result of financial support from the General Fund for planned projects which were initiated but not completed during the fiscal year and were carried forward.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$8,673,109 and unrestricted net position for the Cemetery Fund amounted to \$763,558. The total increase in Water and Sewer Utility Fund was \$439,473 and the decrease in the Cemetery Fund was \$18,833. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities on page 6.

General Fund Budgetary Highlights

All functional expenditure areas expended less than budgeted for a total positive variance of \$4,602,863 due to receipt of grant funding, which has not been allocated, and underspending in operations and maintenance.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2022 amounts to \$60,940,356 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment.

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

Governmental Activities

- Road and sidewalk repaving \$115,438
- Train Station refurbishment \$320,781
- Heating and air rooftop units \$270,764

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

Capital Assets (Net of Depreciation)

As of September 30, 2022 and September 30, 2021

	Governmental Activities		Business Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,750,559	\$ 3,712,488	\$ 651,855	\$ 651,855	\$ 4,402,414	\$ 4,364,343
Buildings	12,094,962	12,156,820	12,820,400	13,176,387	24,915,362	25,333,207
Improvements	19,516,248	20,049,201	8,261,889	8,605,389	27,778,137	28,654,590
Machinery and equipment	1,624,726	1,547,810	1,142,761	1,160,534	2,767,487	2,708,344
Intangibles	40,485	37,311	-	-	40,485	37,311
Construction in progress	670,575	124,930	365,896	256,516	1,036,471	381,446
Total capital assets	\$ 37,697,555	\$ 37,628,560	\$ 23,242,801	\$ 23,850,681	\$ 60,940,356	\$ 61,479,241

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$15,017,579.

Long Term Debt

As of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
ICRA refunding revenue bonds	\$ 11,805,000	\$ 12,115,000	\$ -	\$ -	\$ 11,805,000	\$ 12,115,000
SRF note payable	-	-	2,480,587	2,629,212	2,480,587	2,629,212
Financed purchase	-	-	731,992	915,213	731,992	915,213
Total	\$ 11,805,000	\$ 12,115,000	\$ 3,212,579	\$ 3,544,425	\$ 15,017,579	\$ 15,659,425

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

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

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

Additional information on the City's long-term debt can be found in note 8 on pages 39 - 40 of this report.

Economic Factors and Next Year's Budgets and Rates

On April 5, 2022 the Budget Overview Workshop presented facts, market trends, a local analysis of economic and social conditions, plus items that potentially would require policy changes to keep the community moving forward. The focus of the workshop was the current approach to fiscal policies regarding the City's restricted and unrestricted fund balances. As part of the Budget Overview presentation the need to continue the approach of developing new revenue sources into the general fund in the face of slow valuation growth was discussed. Additionally, we focused on the need to invest in our people and provide a more modern departmental structure of the City. With the rising complexity of the City's parks and recreational opportunities in concert with the need to better utilize existing facilities, a proper departmental structure is essential to deriving resources and cost efficiencies.

On May 3, 2022, a Workshop was held to discuss the Five-Year Capital Plan. A summary of completed projects, plus a discussion of pending projects that are scheduled for the five-year plan period, was made. This presentation featured a focus on to the continuation of strategic infrastructure investment. This included the continuation of the ambitious annual road resurfacing program in concert with the development of capital projects that offered a return on investment by way of expanding/increasing the tax base (shared parking, regional stormwater, multi-modal connectivity). The City will continue to be an attractive location for retirees and families seeking an affordable high quality of life. The need to develop new housing continues to receive interest and require the City to continue to improve conditions for residential development in underdeveloped areas of the Inverness Acres and Inverness Villages Units 1 and 2 subdivisions.

The City Council at its July 5, 2022 meeting set the tentative millage rate in the ensuing fiscal year at the current year's rate of 7.8211 capturing a potential 6.1% increase in valuation over the previous year. A City-Wide Budget presentation was made at a public workshop on July 19, 2022 at 5:30pm, to discuss final budget figures that were structured to realize a roll back rate of 7.76 at final adoption. We presented findings and fully disclosed spending, service levels, projects, staffing and related cost, planning mechanisms, utility system operations and Inverness Community Redevelopment Agency (CRA) activity. The Tax Increment Financing program (TIF revenues) that are derived through increased valuations via the Community Redevelopment District are complex but beneficial. These funds are targeted to fund improvement projects and meet debt service commitments of Bonds for a thirty-year period that funded deficiencies on a large scale to improve blighted conditions.

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

Final adoption of the 2022-23 budget, that spans October 1st, 2022 through September 30th, 2023, was accomplished in two Public Hearings at 5:30 pm on September 6, 2022 and September 20, 2022.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Inverness, Florida
Statement of Net Position
September 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 11,619,102	\$ 3,916,774	\$ 15,535,876
Investments	14,185,618	5,243,576	19,429,194
Receivables, net	705,502	588,383	1,293,885
Due from other governments	114,481	-	114,481
Inventories	1,200	498,448	499,648
Prepaid costs	11,779	22,923	34,702
Restricted assets:			
Cash and cash equivalents	-	390,659	390,659
Investments	1,440,417	-	1,440,417
Capital Assets:			
Capital assets not being depreciated	4,421,134	1,017,751	5,438,885
Capital assets being depreciated, net of accumulated depreciation	33,276,421	22,225,050	55,501,471
Total capital assets	37,697,555	23,242,801	60,940,356
Total assets	65,775,654	33,903,564	99,679,218
Deferred Outflows of Resources:			
Deferred outflows of pension earnings	989,550	85,182	1,074,732
Total deferred outflows of resources	989,550	85,182	1,074,732
Liabilities:			
Accounts payable and accrued expenses	483,442	218,517	701,959
Due to other governmental agencies	6,202	-	6,202
Accrued interest	177,833	17,973	195,806
Deposits payable	71,493	356,044	427,537
Unearned revenue	3,852,057	-	3,852,057
Noncurrent liabilities:			
Due within one year	329,573	362,847	692,420
Due in more than one year	15,257,242	3,151,860	18,409,102
Total liabilities	20,177,842	4,107,241	24,285,083
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	148,307	12,767	161,074
Deferred inflows related to leases	342,470	-	342,470
Total deferred outflows of resources	490,777	12,767	503,544
Net Position:			
Net investment in capital assets	27,010,028	20,030,222	47,040,250
Restricted for:			
Capital projects	490,889	-	490,889
Grants	551,450	-	551,450
Perpetual Care	-	401,849	401,849
Unrestricted	18,044,218	9,436,667	27,480,885
Total net position	\$ 46,096,585	\$ 29,868,738	\$ 75,965,323

City of Inverness, Florida
Statement of Activities
Year Ended September 30, 2022

Functions/Programs					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Program Revenue		Capital Grants and Contributions	Primary Government		Total
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 1,909,948	\$ 681,596	\$ -	\$ -	\$ (1,228,352)	\$ -	\$ (1,228,352)
Community Development Services	1,117,366	-	-	-	(1,117,366)	-	(1,117,366)
Public Safety	1,682,431	77,754	309	-	(1,604,368)	-	(1,604,368)
Physical Environment	1,199,331	1,181,593	-	-	(17,738)	-	(17,738)
Highways & Streets	1,403,363	84,853	352,833	-	(965,677)	-	(965,677)
Culture and Recreation	2,032,215	534,692	393	-	(1,497,130)	-	(1,497,130)
Interest on Long-term debt	419,270	-	-	-	(419,270)	-	(419,270)
Total governmental activities	9,763,924	2,560,488	353,535	-	(6,849,901)	-	(6,849,901)
Business-type activities:							
Water	3,518,326	4,497,280	-	-	-	978,954	978,954
Cemetery	81,344	61,075	-	-	-	(20,269)	(20,269)
Total business-type activities	3,599,670	4,558,355	-	-	-	958,685	958,685
Total primary government	\$ 13,363,594	\$ 7,118,843	\$ 353,535	\$ -	(6,849,901)	958,685	(5,891,216)
General Revenues:							
Property taxes					4,604,768	-	4,604,768
Public service taxes					2,155,051	-	2,155,051
Intergovernmental					1,022,378	-	1,022,378
Unrestricted investment earnings					95,879	39,455	135,334
Miscellaneous					91,992	-	91,992
Transfers					577,500	(577,500)	-
Total general revenues and transfers					8,547,568	(538,045)	8,009,523
Change in net position					1,697,667	420,640	2,118,307
Net Position, beginning					44,398,918	29,448,098	73,847,016
Net Position, ending					\$ 46,096,585	\$ 29,868,738	\$ 75,965,323

City of Inverness, Florida
Balance Sheet - Governmental Funds
September 30, 2022

	General Fund	Special Revenue Community Redevelopment Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 7,463,709	\$ 484,091	\$ 3,152,286	\$ 519,016	\$ 11,619,102
Investments	9,396,471	40,569	4,684,800	63,778	14,185,618
Accounts Receivable, net	702,380	-	3,122	-	705,502
Due from other governments	114,481	-	-	-	114,481
Inventories	1,200	-	-	-	1,200
Prepaid costs	11,779	-	-	-	11,779
Restricted investments	-	1,440,417	-	-	1,440,417
Total assets	\$ 17,690,020	\$ 1,965,077	\$ 7,840,208	\$ 582,794	\$ 28,078,099
Liabilities:					
Accounts payable	\$ 167,332	\$ 33,771	\$ 54,211	\$ 21,833	\$ 277,147
Due to other governments	6,202	-	-	-	6,202
Deposits payable	71,493	-	-	-	71,493
Accrued liabilities	206,295	-	-	-	206,295
Unearned revenue	3,852,057	-	-	-	3,852,057
Total liabilities	4,303,379	33,771	54,211	21,833	4,413,194
Deferred Inflows of Resources					
Deferred inflows - leases	342,470	-	-	-	342,470
Fund Balances:					
Nonspendable	12,979	-	-	-	12,979
Restricted for:					
Capital improvements	-	-	-	560,945	560,945
Community redevelopment	-	1,931,306	-	-	1,931,306
Grants	551,450	-	-	-	551,450
Committed to:					
Capital equipment replacement	2,841,395	-	-	-	2,841,395
Land acquisition	420,687	-	-	-	420,687
Inverness Government Center sustainability	1,950,919	-	-	-	1,950,919
Tort litigation	200,000	-	-	-	200,000
Fire services	400,000	-	-	-	400,000
Road improvements	-	-	-	16	16
Capital projects	-	-	7,785,997	-	7,785,997
Unassigned	6,666,741	-	-	-	6,666,741
Total fund balances	13,044,171	1,931,306	7,785,997	560,961	23,322,435
Total liabilities, deferred inflows of resources and fund balances	\$ 17,690,020	\$ 1,965,077	\$ 7,840,208	\$ 582,794	\$ 28,078,099

City of Inverness, Florida
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of
Net Position**
September 30, 2022

Total Fund Balance, Governmental Funds \$ 23,322,435

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 37,697,555

Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting. 841,243

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

Compensated absences	(95,726)	
Net pension liability	(3,319,512)	
Other postemployment benefits	(43,633)	
Accrued interest payable	(177,833)	
Bonds payable	(11,805,000)	
Premium on bonds payable	(322,944)	(15,764,648)

Net Position of Governmental Activities in the Statement of Net Position \$ 46,096,585

City of Inverness, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2022

	General Fund	Special Revenue		Nonmajor Governmental Funds	Total Governmental Funds
		Community Redevelopment Fund	Capital Projects		
Revenues:					
Taxes and special assessments	\$ 5,495,825	\$ 1,326,878	\$ -	\$ -	\$ 6,822,703
Licenses and permits	458,873	-	-	-	458,873
Intergovernmental	1,684,714	-	-	-	1,684,714
Impact fees	-	-	-	70,530	70,530
Charges for services	1,596,926	-	-	-	1,596,926
Fees and fines	61,931	-	-	-	61,931
Investment earnings	55,856	10,619	28,947	457	95,879
Miscellaneous	92,535	-	-	-	92,535
Total revenues	9,446,660	1,337,497	28,947	70,987	10,884,091
Expenditures:					
Current:					
General government	1,557,459	-	-	-	1,557,459
Community development services	392,603	500,403	-	-	893,006
Public safety	1,623,072	-	-	-	1,623,072
Highways and streets	1,163,854	-	-	-	1,163,854
Physical environment	1,199,331	-	-	-	1,199,331
Culture and recreation	1,751,954	-	-	-	1,751,954
Debt Service:					
Interest	-	439,200	-	-	439,200
Principal	-	310,000	-	-	310,000
Capital Outlay	-	-	1,131,552	-	1,131,552
Total expenditures	7,688,273	1,249,603	1,131,552	-	10,069,428
Excess of revenues over expenditures	1,758,387	87,894	(1,102,605)	70,987	814,663
Other Financing Uses:					
Transfers in	864,000	-	1,179,930	-	2,043,930
Transfers out	(1,179,930)	(286,500)	-	-	(1,466,430)
Total other financing uses	(315,930)	(286,500)	1,179,930	-	577,500
Net change in fund balances	1,442,457	(198,606)	77,325	70,987	1,392,163
Fund balances, beginning	11,698,708	2,129,912	7,708,672	392,980	21,930,272
Prior period adjustment	(96,994)	-	-	96,994	-
Fund balances, ending	\$ 13,044,171	\$ 1,931,306	\$ 7,785,997	\$ 560,961	\$ 23,322,435

City of Inverness, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended September 30, 2022

Net Change in Fund Balances - Total Governmental Funds: \$ 1,392,163

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	1,594,030	
Less: current year depreciation	\$ (1,521,637)	72,393

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets		(3,398)
---	--	---------

Cash pension contributions reported in the funds were more than the calculated pension expense in the Statement of Activities, and therefore increased net position.		(107,602)
--	--	-----------

Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.		310,000
---	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Change in accrued interest	5,167	
Amortization of bond premium	14,763	
Change in long-term compensated absences	2,791	
Change in other post employment benefits	\$ 11,390	34,111

Change in net position of governmental activities		<u>\$ 1,697,667</u>
--	--	----------------------------

City of Inverness, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 5,303,082	\$ 5,358,035	\$ 5,495,825	\$ 137,790
Licenses and permits	371,000	371,000	458,873	87,873
Intergovernmental	1,400,139	5,235,363	1,684,714	(3,550,649)
Charges for services	1,469,250	1,508,058	1,596,926	88,868
Fees and fines	48,506	48,506	61,931	13,425
Investment earnings	74,288	74,288	55,856	(18,432)
Miscellaneous	16,500	16,500	92,535	76,035
Total revenues	8,682,765	12,611,750	9,446,660	(3,165,090)
Expenditures:				
Current:				
General government	1,961,926	5,925,415	1,557,459	4,367,956
Community development services	407,072	457,060	392,603	64,457
Public safety	1,542,895	1,635,995	1,623,072	12,923
Highways and streets	1,252,473	1,234,105	1,163,854	70,251
Physical environment	1,194,825	1,220,575	1,199,331	21,244
Culture and recreation	1,530,143	1,817,986	1,751,954	66,032
Total expenditures	7,889,334	12,291,136	7,688,273	4,602,863
Excess (deficiency) of revenues over expenditures	793,431	320,614	1,758,387	1,437,773
Other Financing Sources:				
Transfers in	864,000	891,500	864,000	(27,500)
Transfers out	(1,179,930)	(1,278,756)	(1,179,930)	98,826
Total other financing sources	(315,930)	(387,256)	(315,930)	71,326
Net change in fund balances	477,501	(66,642)	1,442,457	1,509,099
Fund balance, beginning	11,698,708	11,698,708	11,698,708	-
Prior period adjustment	(96,994)	(96,994)	(96,994)	-
Fund balance, ending	\$ 12,079,215	\$ 11,535,072	\$ 13,044,171	\$ 1,509,099

City of Inverness, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Redevelopment Fund
Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 1,355,589	\$ 1,355,589	\$ 1,326,878	\$ (28,711)
Investment earnings	800	800	10,619	9,819
Total revenues	1,356,389	1,356,389	1,337,497	(18,892)
Expenditures				
Current:				
Community development services	1,136,800	1,629,894	500,403	1,129,491
Debt service:				
Principal	310,000	310,000	310,000	-
Interest	439,200	439,200	439,200	-
Total expenditures	1,886,000	2,379,094	1,249,603	1,129,491
Excess (deficiency) of revenues over expenditures	(529,611)	(1,022,705)	87,894	1,110,599
Other Financing Sources:				
Transfers out	(286,500)	(286,500)	(286,500)	-
Total other financing sources	(286,500)	(286,500)	(286,500)	-
Net change in fund balances	(816,111)	(1,309,205)	(198,606)	1,110,599
Fund balance, beginning	2,129,912	2,129,912	2,129,912	-
Fund balance, ending	\$ 1,313,801	\$ 820,707	\$ 1,931,306	\$ 1,110,599

City of Inverness, Florida
Statement of Net Position
Proprietary Funds
September 30, 2022

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,878,726	\$ 38,048	\$ 3,916,774
Investments	4,613,879	629,697	5,243,576
Accounts receivable, net	555,821	-	555,821
Accrued interest receivable	2,234	-	2,234
Other receivables	30,328	-	30,328
Inventories	-	498,448	498,448
Prepays	22,923	-	22,923
Total current assets	9,103,911	1,166,193	10,270,104
Noncurrent assets:			
Restricted cash and cash equivalents	390,659	-	390,659
Total restricted assets	390,659	-	390,659
Capital assets:			
Land, buildings and equipment	41,971,040	30,338	42,001,378
Construction in progress	365,896	-	365,896
Less accumulated depreciation	(19,094,135)	(30,338)	(19,124,473)
Total capital assets (net of depreciation)	23,242,801	-	23,242,801
Total noncurrent assets	23,633,460	-	23,633,460
Total assets	32,737,371	1,166,193	33,903,564
Deferred outflows of resources:			
Deferred outflows-pension earnings	85,182	-	85,182
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	217,880	637	218,517
Accrued interest payable	17,973	-	17,973
Customer deposits payable	355,895	149	356,044
Compensated absences	16,380	-	16,380
Financed purchases	194,403	-	194,403
Notes payable	152,064	-	152,064
Total current liabilities	954,595	786	955,381
Noncurrent Liabilities:			
Financed purchases	537,589	-	537,589
Net pension liability	285,748	-	285,748
Notes payable	2,328,523	-	2,328,523
Total noncurrent liabilities	3,151,860	-	3,151,860
Total liabilities	4,106,455	786	4,107,241
Deferred Inflows of Resources:			
Deferred inflows-pension earnings	12,767	-	12,767
Total deferred inflows of resources	12,767	-	12,767
Net Position:			
Net investment in capital assets	20,030,222	-	20,030,222
Restricted for perpetual care	-	401,849	401,849
Unrestricted	8,673,109	763,558	9,436,667
Total net position	\$ 28,703,331	\$ 1,165,407	\$ 29,868,738

City of Inverness, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds
Year Ended September 30, 2022

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
Operating Revenues:			
Charges for services	\$ 4,428,162	\$ 61,075	\$ 4,489,237
Miscellaneous	69,118	-	69,118
Total operating revenues	4,497,280	61,075	4,558,355
Operating expenses:			
Salaries and benefits	437,831	29,541	467,372
Contractual services	1,407,446	43,200	1,450,646
Utilities	204,902	1,320	206,222
Materials and supplies	154,136	-	154,136
Other operating expenses	245,928	6,911	252,839
Depreciation	986,395	372	986,767
Total operating expenses	3,436,638	81,344	3,517,982
Operating income (loss)	1,060,642	(20,269)	1,040,373
Nonoperating Revenue (Expenses):			
Investment income	34,519	4,936	39,455
Interest expense	(81,688)	-	(81,688)
Total nonoperating revenue (expenses)	(47,169)	4,936	(42,233)
Income before transfers	1,013,473	(15,333)	998,140
Transfers out	(574,000)	(3,500)	(577,500)
Change in net position	439,473	(18,833)	420,640
Total Net Position, beginning	28,263,858	1,184,240	29,448,098
Total Net Position, ending	\$ 28,703,331	\$ 1,165,407	\$ 29,868,738

City of Inverness, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2022

	Water and Sewer Utility	Cemetery	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,497,609	\$ 61,075	\$ 4,558,684
Payments to suppliers	(2,210,834)	(54,299)	(2,265,133)
Payments to employees	(422,253)	(29,541)	(451,794)
Net cash provided (used) by operating activities	1,864,522	(22,765)	1,841,757
Cash Flows from Noncapital Financing Activities:			
Transfers out	(574,000)	(3,500)	(577,500)
Net cash provided (used) by noncapital financing activities	(574,000)	(3,500)	(577,500)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(378,887)	-	(378,887)
Principal paid on long-term debt	(331,846)	-	(331,846)
Interest paid on long-term debt	(83,901)	-	(83,901)
Net cash provided (used) by capital and related financing activities	(794,634)	-	(794,634)
Cash Flows from Investing Activities:			
Sales (purchases) of investments	(32,141)	53,561	21,420
Investment income	34,519	4,936	39,455
Net cash provided(used) by investing activities	2,378	58,497	60,875
Net Increase in Cash and Cash Equivalents	498,266	32,232	530,498
Cash and Cash Equivalents, beginning	3,771,119	5,816	3,776,935
Cash and Cash Equivalent, ending	\$ 4,269,385	\$ 38,048	\$ 4,307,433
Classified As:			
Cash and cash equivalents	\$ 3,878,726	\$ 38,048	\$ 3,916,774
Restricted cash and cash equivalents	390,659	-	390,659
Total	\$ 4,269,385	\$ 38,048	\$ 4,307,433

City of Inverness, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2022

	<u>Water and Sewer Utility</u>	<u>Cemetery</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided (Used)			
By Operating Activities			
Operating income (loss)	\$ 1,060,642	\$ (20,269)	\$ 1,040,373
Adjustments Not Affecting Cash:			
Depreciation and amortization	986,395	372	986,767
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(8,500)	-	(8,500)
(Increase) decrease in prepaids	(22,923)	-	(22,923)
(Increase) decrease in inventory	-	2,865	2,865
Increase (decrease) in accounts payable	(175,499)	(5,733)	(181,232)
Increase (decrease) in compensated absences	3,628	-	3,628
Increase (decrease) in deferred inflows	(153,898)	-	(153,898)
Increase (decrease) in deferred outflows	(20,042)	-	(20,042)
Increase (decrease) in net pension liability	185,890	-	185,890
Increase (decrease) in customer deposits	8,829	-	8,829
Total adjustments	<u>803,880</u>	<u>(2,496)</u>	<u>801,384</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,864,522</u>	<u>\$ (22,765)</u>	<u>\$ 1,841,757</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The government reports the following funds:

Major Governmental Funds

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

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

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

Nonmajor Governmental Funds

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

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Proprietary Funds

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

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

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

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

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Inventories and Prepaid Items

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

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

Restricted assets

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

Capital assets

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

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

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

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Compensated absences

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

Long-term obligations

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category for the year ended September 30, 2022, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category for the year ended September 30, 2022, deferred inflows of pension earnings and deferred inflows of leases.

Net position flow assumptions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance flow assumptions

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

Fund balance policies

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

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

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

New GASB Statements Implemented

In fiscal year 2022, the City has implemented GASB Statement No. 87, Leases. The statement requires the City to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the contract's payment provisions. Furthermore, a lessee is required to recognize a lease liability and a right to use the leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, in doing so, enhancing the relevance and consistency of information about the City's leasing activities. As a result of implementation, the City increased beginning receivable and deferred inflow balances in the General Fund \$453,305.

Prior Period Adjustment

Beginning balances of the General fund and the Whispering Pines Park fund have been adjusted due to an error in closing the Whispering Pines Park fund. As a result of this correction, beginning fund balance of the General Fund was decreased \$96,994 and beginning fund balance of the Whispering Pines Park fund was increased \$96,994. There was no change to beginning net position due to the net zero effect within Governmental Activities. Also as noted above, beginning accounts receivable for the General Fund and Governmental Activities have been increased \$453,305 due to the change in accounting principle for the implementation of GASB Statement No. 87, Leases. There was no change to beginning fund balances or net position balances.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits

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

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

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

Investments made by the City at September 30, 2022 are summarized below.

<u>Investment Type</u>	<u>9/30/2022</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
Florida Prime	\$ 42,600	AAAm	21 days
Florida Safe Money Market	13,733,971	AAAm	N/A
0-2 Year High Quality Bond	69,807	AAAf/S1	0.70 years
Certificate of Deposit	7,023,233	Not Rated	163 days
	<u>\$ 20,869,611</u>		

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

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

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

The City has the following recurring fair value measurements as of September 30, 2022:

Investments Valued by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
0-2 Year High Quality Bond	\$ 69,807	\$ -	\$ 69,807
	<u>\$ 69,807</u>	<u>\$ -</u>	<u>\$ 69,807</u>

Credit Risk

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2022, all of the City's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. At September 30, 2022, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The policy has no limitations on portfolio composition.

Interest Rate Risk

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

NOTE 5 RECEIVABLES

Receivables as of September 30, 2022 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Water and Sewer Utility Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 359,910	\$ 3,122	\$ 655,821	\$ 1,018,853
Leases	342,470	-	-	342,470
Less allowance for uncollectible accounts	-	-	(100,000)	(100,000)
	<u>\$ 702,380</u>	<u>\$ 3,122</u>	<u>\$ 555,821</u>	<u>\$ 1,261,323</u>

Lease Receivables

Included in receivable above within the General Fund is \$342,470 of lease receivables, in accordance with the City's implementation of GASB Statement No. 87, Leases. The receivables totaling \$342,470 are reported as deferred inflows of resources in the governmental funds balance sheet, see Note 7 Leases for further information.

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,712,488	\$ 38,071	\$ -	\$ 3,750,559
Construction in progress	124,930	873,926	(328,281)	670,575
Total capital assets, not being depreciated	3,837,418	911,997	(328,281)	4,421,134
Capital assets, being depreciated:				
Buildings	15,710,075	328,281	-	16,038,356
Improvements	27,030,227	301,489	-	27,331,716
Machinery and equipment	3,975,556	354,031	(22,277)	4,307,310
Intangibles	661,971	26,513	-	688,484
Total capital assets, being depreciated	47,377,829	1,010,314	(22,277)	48,365,866
Less accumulated depreciation for:				
Buildings	(3,553,255)	(390,139)	-	(3,943,394)
Improvements	(6,981,026)	(834,442)	-	(7,815,468)
Machinery and equipment	(2,427,746)	(273,717)	18,879	(2,682,584)
Intangibles	(624,660)	(23,339)	-	(647,999)
Total accumulated depreciation	(13,586,687)	(1,521,637)	18,879	(15,089,445)
Total capital assets, being depreciated, net	33,791,142	(511,323)	(3,398)	33,276,421
Governmental activities capital assets, net	\$ 37,628,560	\$ 400,674	\$ (331,679)	\$ 37,697,555

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 651,855	\$ -	\$ -	\$ 651,855
Construction in progress	256,516	109,380	-	365,896
Total capital assets, not being depreciated	908,371	109,380	-	1,017,751
Capital assets, being depreciated:				
Buildings	17,669,190	-	-	17,669,190
Improvements	15,436,190	111,694	-	15,547,884
Machinery and equipment	7,980,686	157,813	(6,050)	8,132,449
Total capital assets, being depreciated	41,086,066	269,507	(6,050)	41,349,523
Less accumulated depreciation for:				
Buildings	(4,492,803)	(355,987)	-	(4,848,790)
Improvements	(6,830,801)	(455,194)	-	(7,285,995)
Machinery and equipment	(6,820,152)	(175,586)	6,050	(6,989,688)
Total accumulated depreciation	(18,143,756)	(986,767)	6,050	(19,124,473)
Total capital assets, being depreciated, net	22,942,310	(717,260)	-	22,225,050
Business-type activities capital assets, net	\$ 23,850,681	\$ (607,880)	\$ -	\$ 23,242,801

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 332,304
Public safety	50,561
Development services	671,802
Highways and streets	223,469
Culture and recreation	243,501
Total depreciation expense, governmental activities	\$ 1,521,637
Business-type Activities:	
Water and sewer	\$ 986,395
Cemetery	372
Total depreciation expense, business-type activities	\$ 986,767

NOTE 7 LEASES

As lessor:

In January 2021, the city entered into a 24 month lease as lessor for the use of office space in the City's Government Center. An initial lease receivable was recorded in the amount of \$10,100. The lessee is required to make monthly fixed payments of \$673.33. The lease has an interest rate of 0%. As of September 30, 2022, the value of the lease receivable and deferred inflow of resources is \$2,020 and the City recognized lease revenue of \$8,080 during the fiscal year.

In February 2014, the city entered into a lease as lessor for the use of office space in the City's Government Center. This lease was extended on February 1, 2021, for an additional 5 years. An initial lease receivable was recorded in the amount of \$433,413. The lessee is required to make monthly payments of \$7,855, with annual increases. The lease has an interest rate of 0%. As of September 30, 2022, the value of the lease receivable and deferred inflow of resources is \$337,570 and the City recognized lease revenue of \$95,843 during the fiscal year.

In March 2019, the city entered into a 48 month lease as lessor for the use of office space in the City's Government Center. An initial lease receivable was recorded in the amount of \$9,792. The lessee is required to make monthly payments of \$576. The lease has an interest rate of 0%. As of September 30, 2022, the value of the lease receivable and deferred inflow of resources is \$2,880 and the City recognized lease revenue of \$6,912 during the fiscal year.

The following is a schedule of minimum future revenues from non-cancelable agreements as of September 30:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 103,287	\$ -	\$ 103,287
2024	100,932	-	100,932
2025	103,476	-	103,476
2026	34,775	-	34,775
2027	-	-	-
Total Minimum Payments to be Received	\$ 342,470	\$ -	\$ 342,470

The following is a schedule of approximate cost or carrying value and accumulated depreciation of capital assets under leases:

Buildings	\$ 1,925,718
Less: accumulated depreciation	(625,569)
Capital Assets Held for Lease, net	\$ 1,300,149

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 8 LONG-TERM DEBT

Notes Payable- Direct Borrowing

In 2005, the City executed a State Revolving Loan agreement for various water and wastewater system upgrades. The amended agreement provides total funding of \$16,052,561, including grant funding of \$10,000,000 that was funded by the state through a Small Community Wastewater Grant. The loan period is 26 years with an interest rate of 2.3%. The loan is secured by the gross revenues from the water and sewer utility net of operation and maintenance costs. Total principal and interest remaining was \$2,915,47. For the fiscal year, principal and interest paid was \$208,247 and total pledged revenue was \$2,081,556.

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

Financed Purchase

The City has entered into an agreement for financing the acquisition and installation of water meter equipment. Payments are due semiannually. Total principal and interest remaining on the loan was \$774,000. For the fiscal year, principal and interest paid was \$207,500.

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

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ -	\$ -	\$ 346,467	\$ 75,281
2024	-	-	361,994	66,254
2025	-	-	377,433	56,815
2026	-	-	275,787	46,960
2027	-	-	166,630	41,618
2028-2032	-	-	892,782	148,458
2033-2037	-	-	791,486	41,505
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,212,579</u>	<u>\$ 476,891</u>

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bonds Payable Public Offering

In 2017, the City issued Tax Increment Revenue Refunding Bonds, Series 2017. These Bonds were issued to fund various City-wide projects and upgrades managed by the Inverness Community Development District. The agreement provided total funding of \$12,980,000. The loan period is 27 years with an interest rate of 4%. The bonds are secured by Ad Valorem revenues from the Community Development District and supplemented by general fund ad valorem revenues. Total principal and interest remaining was \$17,198,938. For the fiscal year, principal and interest paid was \$749,200 and total pledged revenue was \$1,337,497.

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

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 320,000	\$ 426,800	\$ -	\$ -
2024	335,000	410,800	-	-
2025	355,000	394,050	-	-
2026	370,000	376,300	-	-
2027	390,000	357,800	-	-
2028-2032	2,235,000	1,504,050	-	-
2033-2037	2,625,000	1,118,575	-	-
2038-2042	3,075,000	662,125	-	-
2043-2046	2,100,000	143,438	-	-
	<u>\$ 11,805,000</u>	<u>\$ 5,393,938</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
ICRA refunding revenue bonds	\$ 12,115,000	\$ -	\$ (310,000)	\$ 11,805,000	\$ 320,000
Bond premium	337,707	-	(14,763)	322,944	-
Compensated absences	98,517	-	(2,791)	95,726	9,573
Other post employment benefits	55,023	-	(11,390)	43,633	-
Net pension liability	1,175,525	2,182,793	(38,806)	3,319,512	-
Governmental activity long-term liabilities	<u>\$ 13,781,772</u>	<u>\$ 2,182,793</u>	<u>\$ (377,750)</u>	<u>\$ 15,586,815</u>	<u>\$ 329,573</u>
Business-type Activities:					
SRF note payable	\$ 2,629,212	\$ -	\$ (148,625)	\$ 2,480,587	\$ 152,064
Financed purchase	915,213	-	(183,221)	731,992	194,403
Compensated absences	12,752	3,628	-	16,380	16,380
Net pension liability	99,858	188,502	(2,612)	285,748	-
Business-type activity long-term liabilities	<u>\$ 3,657,035</u>	<u>\$ 192,130</u>	<u>\$ (334,458)</u>	<u>\$ 3,514,707</u>	<u>\$ 362,847</u>

NOTE 9 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2022 consisted of the following:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Transfer Out:			
General fund	\$ -	\$ 1,179,930	\$ 1,179,930
Community redevelopment fund	286,500	-	286,500
Water and sewer utility fund	574,000	-	574,000
Cemetery fund	3,500	-	3,500
Other governmental funds	-	-	-
Total	<u>\$ 864,000</u>	<u>\$ 1,179,930</u>	<u>\$ 2,043,930</u>

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

NOTE 10 RETIREMENT PLANS

Florida Retirement System

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

All employees, other than those described above participate in FRS. Employees who retire at or after age 62 with 10 years of credited service, or 30 years of credited service regardless of age, are entitled to a retirement benefit equal to 1.6% to 1.68% (dependent upon age and years of service) of their average final compensation. The average final compensation is the average of the five highest fiscal years of earnings. Benefits are adjusted annually for a cost of living increase in the Consumer Price Index up to a maximum of 3%. At September 30, 2022, 75 City employees were members of the FRS Retirement plans.

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

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 10 RETIREMENT PLANS (CONTINUED)

General Information

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

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

www.dms.myflorida.com/workforce_operations/retirement/publications

Pension Plan

Plan Description

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

Benefits Provided

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

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

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 10 RETIREMENT PLANS (CONTINUED)

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

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

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

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows: Regular-10.82% and 11.91%; Special Risk Administrative Support-37.76% and 38.65%; Special Risk-25.89% and 27.83%; Senior Management Service-29.01% and 31.57%; Elected Officers-51.42% and 57.00%; and DROP participants-18.34% and 18.60%.

These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$368,321 for the fiscal year ended September 30, 2022.

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

At September 30, 2022, the City reported a liability of \$2,949,174 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportionate share of the net pension liability was based on the City's 2021-22 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2022, the City's proportionate share was .0079 percent, which was an increase (decrease) of .0003 percent from its proportionate share measured as of June 30, 2021.

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 10 RETIREMENT PLANS (CONTINUED)

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$469,587. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 140,069	\$ -
Change of Assumptions	363,203	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	194,734	.
Changes in Proportion and Differences Between City Pension Plan Contributions and Proportionate Share of Contributions	120,135	38,150
City Pension Plan Contributions Subsequent to the Measurement Date	101,328	-
Total	<u>\$ 919,469</u>	<u>\$ 38,150</u>

The deferred outflows of resources related to the Pension Plan, totaling \$101,328 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2023	\$ 194,860
2024	82,572
2025	(37,442)
2026	506,594
2027	33,407
Thereafter	-

*** THIS SECTION INTENTIONALLY LEFT BLANK ***

NOTE 10 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	6.70%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	2.60%	2.60%	1.10%
Fixed income	19.80%	4.40%	4.40%	3.20%
Global equities	54.00%	8.80%	7.30%	17.80%
Real estate	10.30%	7.40%	6.30%	15.70%
Private equity	11.10%	12.00%	8.90%	26.30%
Strategic investments	3.80%	6.20%	5.90%	7.80%
Total	100.00%			
Assumed inflation - Mean			2.40%	1.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.70%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

NOTE 10 RETIREMENT PLANS (CONTINUED)

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
City's Proportionate Share of the Net Pension Liability	\$ 5,100,393	\$ 2,949,174	\$ 1,150,498

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At September 30, 2022, the City reported a payable in the amount of \$62,678 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2022.

HIS Plan

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2022, the HIS contribution for the period October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022 was 1.66% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$40,028 for the fiscal year ended September 30, 2022.

NOTE 10 RETIREMENT PLANS (CONTINUED)

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

At September 30, 2022, the City reported a liability of \$656,086 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The City's proportionate share of the net pension liability was based on the City's 2021-22 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2022, the City's proportionate share was .0062 percent, which was an increase (decrease) of .0005 percent from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$58,316. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 19,914	\$ 2,887
Change of Assumptions	37,607	101,496
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	950	-
Changes in Proportion and Differences Between City HIS Plan Contributions and Proportionate Share of Contributions	86,212	18,541
City HIS Plan Contributions Subsequent to the Measurement Date	<u>10,580</u>	<u>-</u>
Total	<u>\$ 155,263</u>	<u>\$ 122,924</u>

The deferred outflows of resources related to the HIS Plan, totaling \$10,580 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2023	\$ 9,072
2024	5,862
2025	11,657
2026	3,118
2027	(5,225)
Thereafter	(2,725)

NOTE 10 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.54 % net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2022, 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 3.54%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.54%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
City's Proportionate Share of the Net Pension Liability	\$ 750,616	\$ 656,086	\$ 577,864

Pension Plan Fiduciary Net Position

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

Investment Plan

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

NOTE 10 RETIREMENT PLANS (CONTINUED)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2021-22 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City's Investment Plan pension expense totaled \$148,773 for the fiscal year ended September 30, 2022.

General Employees Defined Contribution Pension Plan

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

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

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

At September 30, 2022 there were no plan members or City contributions to the plan.

NOTE 10 RETIREMENT PLANS (CONTINUED)

Deferred Compensation Plan

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

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

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS

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

Employees Covered by Benefit Term - At September 30, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	44
Total	44

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

Summary of Actuarial Methods & Assumptions

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

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The City qualifies to use the alternative measurement method, and has elected to do so. The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2021, updated to September 30, 2022 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.50%
Discount rate	4.77%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	53

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

Discount Rate - Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.77%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Index as published by S&P Dow Jones Indices. The S&P Municipal Bond 20 Year High Grade Rate Index consists of bonds in the S&P Municipal bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

For the year ended September 30, 2022, the City will recognize OPEB Expense/(Revenue) of \$(6,044). Below are the details regarding the Total OPEB liability for the measurement period from October 1, 2021 to September 30, 2022.

	Increases and (Decreases) in Total OPEB Liability
Balances at September 30, 2021	\$ 55,023
Changes for a Year:	
Service cost	6,865
Interest	1,412
Differences between expected and actual experience	(3,337)
Changes of assumptions	(15,384)
Contributions - employer	-
Benefit payments	(946)
Net Changes	(11,390)
Balances at September 30, 2022	\$ 43,633

Changes of assumptions reflect a change in the discount rate from 2.43% for the fiscal year ending September 30, 2021 to 4.77% for fiscal year ending September 30, 2022.

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

	1% Decrease 3.77%	Current Discount Rate 4.77%	1% Increase 5.77%
Total OPEB Liability	\$ 49,083	\$ 43,633	\$ 39,060

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

	1% Decrease 3.00% - 6.50%	Healthcare Cost Trend Rates 4.00% - 7.50%	1% Increase 5.00% - 8.50%
Total OPEB Liability	\$ 38,407	\$ 43,633	\$ 50,017

NOTE 12 RISK MANAGEMENT

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

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

NOTE 13 COMMITMENTS AND CONTINGENCIES

Litigation

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

Grants

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

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Continuation Insurance Plan

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

Last Ten Fiscal Years*

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Total OPEB Liability					
Service cost	\$ 6,865	\$ 7,186	\$ 8,164	\$ 5,874	\$ 6,137
Interest	1,412	1,198	1,974	1,927	1,689
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(3,337)	-	(1,330)	-	-
Changes of assumptions	(15,384)	(1,930)	(7,838)	3,335	(2,704)
Benefit payments	(946)	(442)	(565)	(5,416)	(4,992)
Net change in total OPEB liability	<u>(11,390)</u>	<u>6,012</u>	<u>405</u>	<u>5,720</u>	<u>130</u>
Total OPEB liability, beginning	<u>55,023</u>	<u>49,011</u>	<u>48,606</u>	<u>42,886</u>	<u>42,756</u>
Total OPEB liability, ending	<u>\$ 43,633</u>	<u>\$ 55,023</u>	<u>\$ 49,011</u>	<u>\$ 48,606</u>	<u>\$ 42,886</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 1,903,742	\$ 1,894,691	\$ 1,848,479	\$ 1,589,353	\$ 1,550,588
Total OPEB liability as a percentage of covered-employee payroll	2.29%	2.90%	2.65%	3.06%	2.77%

Notes to Schedule:

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

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

Fiscal Year Ending September 30, 2022	4.77%
Fiscal Year Ending September 30, 2021	2.43%
Fiscal Year Ending September 30, 2020	2.14%
Fiscal Year Ending September 30, 2019	3.58%
Fiscal Year Ending September 30, 2018	4.18%

*Prior year data not available.

City of Inverness, Florida
Schedule of the City's Proportionate Share of Net Pension Liability- Last 10 Fiscal Years
 September 30, 2022

Florida Retirement System (FRS)								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.007926174%	0.007650116%	0.007732700%	0.007546508%	0.007301884%	0.007850393%	0.006162172%	0.005609830%
City's proportionate share of the net pension liability	\$ 2,949,174	\$ 577,879	\$ 3,351,466	\$ 2,598,912	\$ 2,199,365	\$ 2,322,094	\$ 1,555,953	\$ 724,585
City's Covered Payroll	\$ 2,278,136	\$ 2,013,052	\$ 1,962,133	\$ 1,935,226	\$ 1,709,056	\$ 1,805,362	\$ 1,615,922	\$ 1,455,498
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.46%	28.71%	170.81%	134.30%	128.69%	128.62%	96.29%	49.78%
Plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy (HIS)								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.006194400%	0.005686248%	0.005696900%	0.005786409%	0.005235197%	0.005627769%	0.004954573%	0.004605352%
City's proportionate share of the net pension liability	\$ 656,086	\$ 697,504	\$ 697,504	\$ 647,441	\$ 554,099	\$ 601,747	\$ 577,435	\$ 469,673
City's Covered Payroll	\$ 2,278,136	\$ 2,013,052	\$ 1,962,133	\$ 1,935,226	\$ 1,709,056	\$ 1,805,362	\$ 1,615,922	\$ 1,455,498
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.80%	34.65%	35.55%	33.46%	32.42%	33.33%	35.73%	32.27%
Plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

* Information for prior years not available.

City of Inverness, Florida
Schedule of City Contributions - Last 10 Fiscal Years
September 30, 2022

Florida Retirement System (FRS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 368,321	\$ 296,126	\$ 265,171	\$ 239,744	\$ 213,550	\$ 203,914	\$ 161,581	\$ 138,199
Contributions in relation to the contractually required contribution	<u>(368,321)</u>	<u>(296,126)</u>	<u>(265,171)</u>	<u>(239,744)</u>	<u>(213,550)</u>	<u>(203,914)</u>	<u>(161,581)</u>	<u>(138,199)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,438,759	\$ 2,049,004	\$ 1,947,377	\$ 1,987,097	\$ 1,748,067	\$ 1,747,095	\$ 1,615,922	\$ 1,455,498
Contributions as a percentage of covered- payroll	15.10%	14.45%	13.62%	12.07%	12.22%	11.67%	10.00%	9.49%

Health Insurance Subsidy (HIS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 40,028	\$ 34,022	\$ 32,584	\$ 32,992	\$ 29,038	\$ 28,851	\$ 26,098	\$ 19,682
Contributions in relation to the contractually required contribution	<u>(40,028)</u>	<u>(34,022)</u>	<u>(32,584)</u>	<u>(32,992)</u>	<u>(29,038)</u>	<u>(28,851)</u>	<u>(26,098)</u>	<u>(19,682)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,438,759	\$ 2,049,004	\$ 1,947,377	\$ 1,987,097	\$ 1,748,067	\$ 1,747,095	\$ 1,615,922	\$ 1,455,498
Contributions as a percentage of covered- payroll	1.64%	1.66%	1.67%	1.66%	1.66%	1.65%	1.62%	1.35%

* Information for prior years not available.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

Major Governmental Fund

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

City of Inverness, Florida
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Capital Projects Fund
 Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 28,947	\$ 28,947
Total revenues	-	-	28,947	28,947
Expenditures:				
Current:				
Community development services	-	-	-	-
Capital outlay	1,179,930	2,628,978	1,131,552	1,497,426
Total expenditures	1,179,930	2,628,978	1,131,552	1,497,426
Excess (deficiency) of revenues over expenditures	(1,179,930)	(2,628,978)	(1,102,605)	1,526,373
Other Financing Sources:				
Transfers in	1,179,930	1,278,756	1,179,930	(98,826)
Total other financing sources	1,179,930	1,278,756	1,179,930	(98,826)
Net change in fund balances	-	(1,350,222)	77,325	1,427,547
Fund balance, beginning	7,708,672	7,708,672	7,708,672	-
Fund balance, ending	\$ 7,708,672	\$ 6,358,450	\$ 7,785,997	\$ 1,427,547

Nonmajor Governmental Funds

Special Revenue Funds

Whispering Pines Park

Accounts for the operations of the Whispering Pines Park, financed principally by contributions from the School Board of Citrus County and transfers from the general fund. This fund was closed in 2021.

Road Improvement

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

Impact Fee

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

City of Inverness, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2022

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	<u>Whispering Pines Park</u>	<u>Road Improvement Fund</u>	<u>Impact Fee Fund</u>	
Assets:				
Cash and cash equivalents	\$ -	\$ 16	\$ 519,000	\$ 519,016
Investments	-	-	63,778	63,778
Accounts receivable, net	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 582,778</u>	<u>\$ 582,794</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 21,833	\$ 21,833
Due to other funds	-	-	-	-
Accrued liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>21,833</u>	<u>21,833</u>
Fund Balances:				
Restricted for capital improvements	-	-	560,945	560,945
Committed to:				
Road Improvements	-	16	-	16
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>16</u>	<u>560,945</u>	<u>560,961</u>
Total Liabilities and fund balances	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 582,778</u>	<u>\$ 582,794</u>

City of Inverness, Florida
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended September 30, 2022

	Special Revenue			Total Nonmajor Governmental Funds
	Whispering Pines Park	Road Improvement Fund	Impact Fee Fund	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Impact fees	-	-	70,530	70,530
Charges for services	-	-	-	-
Investment earnings	-	-	457	457
Miscellaneous	-	-	-	-
Total revenues	-	-	70,987	70,987
Expenditures:				
Current				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	70,987	70,987
Other Financing Uses:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net Change in fund balances	-	-	70,987	70,987
Fund balances, beginning	(96,994)	16	489,958	392,980
Prior Period adjustment	96,994	-	-	96,994
Fund balances, beginning, as restated	-	16	489,958	489,974
Fund balances, ending	\$ -	\$ 16	\$ 560,945	\$ 560,961

STATISTICAL SCHEDULES

City of Inverness

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

Fiscal Year End	Residential Property	Commercial Property	Industrial Property	Other Property	Tangible		Total Direct Tax Rate	Estimated	Factor of	Assessed
					Personal Property	Taxable Value		Actual Taxable Value (1)	Taxable Value (1)	Value as a Percentage of Actual Value
2013	-	-	-	-	-	349,577,662	6.4955	-	-	-
2014	-	-	-	-	-	350,108,259	6.9949	-	-	-
2015	-	-	-	-	-	349,709,760	7.0729	-	-	-
2016	163,764,815	161,017,089	3,799,020	90,522,688	58,371,861	477,475,473	7.5729	615,851,685	1.289808	77.53%
2017	172,814,507	158,954,754	4,286,803	97,795,632	58,520,031	492,371,727	8.0729	622,053,577	1.263382	79.15%
2018	192,698,424	154,282,585	4,335,532	79,646,332	56,695,626	487,658,499	8.2729	661,434,142	1.356347	73.73%
2019	206,179,387	159,799,517	4,232,298	94,100,965	62,623,297	526,935,464	8.2729	698,117,300	1.324863	75.48%
2020	222,491,978	166,199,338	4,593,964	92,049,502	66,235,434	551,570,216	7.9730	689,461,115	1.249997	80.00%
2021	243,975,576	165,156,145	4,671,552	91,995,461	64,881,025	570,679,759	7.8211	718,008,728	1.258164	79.48%
2022	294,731,692	171,825,725	5,093,650	89,619,023	65,698,933	626,969,023	7.7600	778,474,207	1.241647	80.54%

Source: Avenu Insights & Analytics

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

(1.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a factor was extrapolated and applied to current assessed values.

(-) Data Unavailable.

City of Inverness

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

Category	2016	2017	2018	2019	2020	2021	2022
Residential	163,764,815	172,814,507	192,698,424	206,179,387	222,491,978	243,975,576	294,731,692
Commercial	161,017,089	158,954,754	154,282,585	159,799,517	166,199,338	165,156,145	171,825,725
Miscellaneous	88,899,951	95,485,114	77,365,183	90,603,187	88,960,119	88,921,050	83,916,518
Agriculture	1,622,737	2,310,518	2,281,149	3,497,778	3,089,383	3,074,411	5,702,505
Industrial	3,799,020	4,286,803	4,335,532	4,232,298	4,593,964	4,671,552	5,093,650
Taxable Value of Real Property	419,103,612	433,851,696	430,962,873	464,312,167	485,334,782	505,798,734	561,270,090
Tangible Personal Property	58,371,861	58,520,031	56,695,626	62,623,297	66,235,434	64,881,025	65,698,933
Total School Taxable Value	477,475,473	492,371,727	487,658,499	526,935,464	551,570,216	570,679,759	626,969,023

Source: Citrus County Assessor data, Avenu Insights & Analytics

City of Inverness

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Fiscal Year End	City of Inverness	Citrus County Citrus County	Citrus County School Board	Hospital Board	Mosquito Control	SWFWMD General	Total
2013	6.4955	8.8999	7.3130	0.2450	0.3452	0.3818	23.6804
2014	6.9949	8.8999	7.3040	1.2500	0.4478	0.3658	25.2624
2015	7.0729	7.7887	7.1890	0.0000	0.4478	0.3488	15.6582
2016	7.5729	7.6652	6.9250	0.0000	0.4478	0.3317	22.9426
2017	8.0729	7.4407	6.5810	0.0000	0.4478	0.3131	22.8555
2018	8.2729	7.3561	6.3380	0.0000	0.4478	0.2955	22.7103
2019	8.2729	7.2032	6.1250	0.0000	0.4478	0.2801	22.3290
2020	7.9730	7.2032	5.9300	0.0000	0.4478	0.2669	21.8209
2021	7.8211	7.1742	5.8170	0.0000	0.4307	0.2535	21.4965
2022	7.7600	7.6678	5.5230	0.0000	0.4307	0.226	21.6075

Source: Citrus County Property Appraiser , Avenu Insights & Analytics

City of Inverness

Principal Property Tax Payers Current and Four Fiscal Years Ago

Taxpayer	2022		2018	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Citrus County Hospital Board	64,214,710	10.24%	61,820,174	12.68%
Citrus Mem Hospital Inc-26670	18,390,702	2.93%	16,117,333	3.31%
Duke Energy Florida	17,130,912	2.73%	14,486,318	2.97%
95 FLRPT LLC	8,182,510	1.31%	7,608,940	1.56%
Sembler Gregory S	6,490,520	1.04%	6,009,940	1.23%
Sumter Electric Cooperative	5,049,339	0.81%	4,321,969	0.89%
701 Medical Court East LLC	4,569,590	0.73%	4,639,920	0.95%
Signet Investments	4,143,640	0.66%	3,470,390	0.71%
Brannen Bank	3,920,526	0.63%	3,820,172	0.78%
Embarq Florida Inc	3,905,663	0.62%		
Fl Arbor Trail Holdings LLC	3,588,454	0.57%	3,601,918	0.74%
White Cap Of Florida Inc	3,373,840	0.54%	2,736,910	0.56%
Colonnade Park Ltd	3,029,000	0.48%		
AEM Anfang LLC	2,878,280	0.46%	2,241,310	0.46%
Citrus Plaza Commons LLC	2,772,251	0.44%	2,614,200	0.54%
Williams Ltc Inc	2,755,660	0.44%		
Garden Street Communities Sout	2,648,020	0.42%		
Liberty Land I LLC	2,510,890	0.40%		
Rosenberg Peter Michael	2,377,350	0.38%	2,324,370	0.48%
Inverness Regional LLC	2,204,640	0.35%	3,000,000	0.62%
Hollynn Properties Inc	2,177,880	0.35%		
Circle K Stores Inc	2,154,400	0.34%		
Highland Terrace Aid Propco	2,147,040	0.34%	2,223,565	0.46%
Airport Bayway Inc	2,107,600	0.34%	2,029,830	0.42%
GRE Inverness Inc	2,083,207	0.33%	2,070,449	0.42%
Inverness Medical Imaging LLC			1,982,230	0.41%
JT Inverness Club LLC			2,529,550	0.52%
WYLD Palms Holdings LLC			5,006,090	1.03%
CenturyLink			2,996,647	0.61%
Publix Super Market			1,805,319	0.37%
Nolette Joseph H			1,760,880	0.36%
Bobchad Holdings Inc			1,710,920	0.35%
Total Top 25 Taxpayers	174,806,624	27.88%	162,929,344	33.41%
Total Taxable Value	626,969,023	100.00%	487,658,499	100.00%

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

City of Inverness

Demographic and Economic Statistics Last Seven Fiscal Years

Fiscal Year	Population (1)	Per Capita			Public School Enrollment (3)	County	City	County Population (1)
		Personal Income	Personal Income (1)	Median Age (2)		Unemployment Rate (4)	Unemployment Rate (4)	
2016	7,233	136,667,535	18,895	51.0	14,881	6.9%	6.9%	141,058
2017	7,347	142,496,314	19,395	55.0	14,991	6.0%	6.0%	143,621
2018	7,304	150,673,778	20,629	55.1	15,083	4.7%	4.7%	145,647
2019	7,390	160,799,749	21,759	58.6	15,098	4.3%	4.3%	147,929
2020	7,414	167,784,825	22,631	57.3	15,611	10.2%	10.2%	149,657
2021	7,543	184,260,404	24,428	58.1	15,413	7.2%	7.2%	153,843
2022	7,624	213,918,156	28,059	58.5	15,663	4.4%	4.4%	158,083

Source: Avenu Insights & Analytics

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

- 1.) Data is provided by the U.S. Census Bureau.
- 2.) Median Age reflects the U.S. Census data estimation table.
- 3.) Student Enrollment reflects the total number of students enrolled in Citrus County School District.
- 4.) Unemployment rates data from www.homefacts.com.

City of Inverness

Principal Employers Current and Six Years Ago

Employer	2022		2016	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Citrus County School District	2,057	31.50%	2,234	38.52%
Citrus County	1,246	19.08%	1,416	24.41%
HCA Florida - Citrus Hospital	950	14.55%	878	15.14%
Lowe's Home Improvement	240	3.67%	185	3.19%
Publix Super Market	207	3.17%	170	2.93%
Winn-Dixie - 2 locations	170	2.60%	184	3.17%
Avante At Inverness	142	2.17%		
Citrus Health & Rehabilitation	136	2.08%	130	2.24%
Arbor Trail Rehab & Nursing	132	2.02%	130	2.24%
Nick Nicholas Ford	93	1.42%		
Walmart Supercenter			388	6.69%
Brannen Bank			110	1.90%
Total Top 10 Employers	5,373	82.27%	5,825	100.43%
Total City Labor Force (1)	6,531		5,800	

Source: Avenu Insights & Analytics

2016 is the city's first ACFR publication, therefore historical data availability is limited.

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

1.) Labor Force data is provided by the U.S. Census Bureau.

Other Reports



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

The Honorable Mayor and City Council
City of Inverness, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 deficiencies, material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

McDermitt Davis

Orlando, Florida
May 11, 2023

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Inverness, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Inverness, Florida*, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated May 11, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 11, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Purpose of this Letter

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

A handwritten signature in black ink that reads "McDiarmid Davis". The signature is written in a cursive, slightly slanted style.

Orlando, Florida
May 11, 2023



934 North Magnolia Avenue, Suite 100
Orlando, Florida 32803
407-843-5406
www.mcdermittdavis.com

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

The Honorable Mayor and City Council
City of Inverness, Florida

We have examined City of Inverness' (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2022. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, City of Inverness complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

McDermitt Davis

Orlando, Florida
May 11, 2023



City of Inverness

Finance Department
212 W. Main Street
Inverness, Florida 34450-4801
finance@inverness-fl.gov

(352) 726-5016

Fax (352) 726-5534

May 25, 2023

Florida Department of Transportation
Office of Comptroller, MS 24
605 Suwannee Street
Tallahassee, Florida 32399-0450
FDOTSingleAudit@dot.state.fl.us

Subject: Single Audit Exemption for the Fiscal Year Ended 9/30/2022

Please check any applicable exemption criteria:

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

- City of Inverness did not meet the threshold established by Section 215.97, Florida Statutes, *Florida Single Audit Act*, in total expenditures and/or non-cash assistance and is exempt from filing a state single audit for this fiscal period.

If you have any questions, please contact Richard La Condre at 352-726-5016 or by email rlacondre@inverness.gov.

Sincerely,


A handwritten signature in cursive script that reads "Richard La Condre".

Richard La Condre
Finance Director

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

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


FURTHER AFFIANT SAYETH NAUGHT.


Eric C. Williams, Chief Financial Officer

STATE OF FLORIDA
COUNTY OF CITRUS

SWORN TO AND SUBSCRIBED before me this 7th day of JUNE, 2023.




NOTARY PUBLIC
Print Name SUSAN JACKSON

Person shown or produced identification _____

Type of identification produced: _____

My Commission Expires: 04-27-2027

¹ Pursuant to Section 163.31801(8), Florida Statutes, if there is no chief financial officer, the executive officer must sign the affidavit.



Honorable Mayor and City Council
City of Inverness, Florida

We have audited the financial statements of the City of *Inverness* as of and for the year ended September 30, 2022, and have issued our report thereon dated May 11, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 4, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks Identified

A significant risk is an identified and assessed risk of material misstatement, that in the auditor's professional judgement, requires special audit consideration. We have focused on the following significant risks during our audit procedures:

- Management override of internal controls is the risk that management could circumvent established internal control procedure.
- Improper revenue recognition is the risk that revenue is recognized in a period it is not earned.

Our testing did not result in any management comments related to these risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of *Inverness* is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the City changed its method of accounting for Leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are:

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

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

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

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the City's financial statements relates to the summary of significant accounting policies.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 11, 2023.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

Very truly yours,



Orlando, Florida
May 11, 2023



City of Inverness

Administration Office

212 W. Main Street

Inverness, Florida 34450-4149

Administration@Inverness-FL.gov

(352) 726-2611

Fax (352) 726-0607

May 11, 2023

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

This representation letter is provided in connection with your audit of the basic financial statements of City of Inverness, Florida, as of September 30, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 11, 2023:

Financial Statements

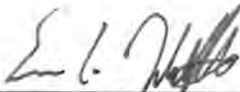
- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 4, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- All proposed audit adjustments have been posted to the City's books.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.

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

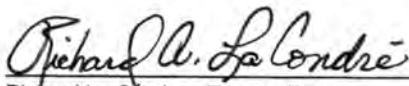
Information Provided

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

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



Eric Williams – City Manager
City of Inverness



Richard La Condre – Finance Director
City of Inverness

GOODING & BATSEL, PLLC

ATTORNEYS AT LAW
1531 SE 36TH AVENUE
OCALA, FLORIDA 34471

W. JAMES GOODING III
ROBERT W. BATSEL, JR.
ROBERT W. BATSEL
JAMES T. HARTLEY

TELEPHONE (352) 579-1290
FACSIMILE (352) 579-1289
email: rbatsel@lawyersocala.com

May 11, 2023

McDirmit Davis
Attn: Audit Department
934 North Magnolia Avenue, Suite 100
Orlando, FL 32803

Re: Audit of the City of Inverness
Year Ending September 30, 2022

To Whom It May Concern:

I represent and oversee the legal affairs of the City of Inverness, Florida, including the City of Inverness, Florida Community Redevelopment Agency (collectively the "City"). In connection with your ongoing audit, I am writing to confirm that I have no knowledge of pending or threatened litigation, claims or assessments which may have a material effect on the City's financial statements for the year ending on September 30, 2022. Further, have no knowledge of unasserted claims or assessments that may call for disclosure, in my professional opinion. Finally, the City was not indebted to my firm for services or expenses on September 30, 2022.

In the course of performing legal services with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, if I have formed a professional conclusion that disclosure of such possible claim or assessment may be appropriate, as a matter of professional responsibility, I will so advise you and will consult with the City concerning the question of such disclosure and the applicable requirements of Government Accounting Standards Board ("GASB") Statement No. 62, Paragraph 100.

The foregoing is an accurate and fair representation of the legal affairs of the City as of the date of this correspondence.

Thank you for your exhaustive work on behalf of the City of Inverness. Please feel free to contact me with any outstanding questions or concerns via email at rbatsel@lawyersocala.com or by telephone at (352)579-6845.

Sincerely,

/s/ Robert W. Batsel, Jr.

Robert W. Batsel, Jr.