

**CITY OF FROSTPROOF, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2025**



**CITY OF FROSTPROOF, FLORIDA  
TABLE OF CONTENTS  
SEPTEMBER 30, 2025**

**Financial Section**

Independent Auditor’s Report.....	1 - 3
Management’s Discussion and Analysis.....	4 - 10
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position.....	11
Statement of Activities.....	12
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds .....	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position – Proprietary Fund .....	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund .....	18
Statement of Cash Flows – Proprietary Fund.....	19
Statement of Fiduciary Net Position – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	21
Notes to Financial Statements .....	22 - 52

**Required Supplementary Information**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	54
Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	55
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees’ Pension Trust Fund .....	56
Schedule of Contributions – General Employees’ Pension Trust Fund.....	57
Schedule of Investment Returns – General Employees’ Pension Trust Fund.....	58
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers’ Pension Trust Fund.....	59
Schedule of Contributions – Police Officers’ Pension Trust Fund.....	60
Schedule of Investment Returns – Police Officers’ Pension Trust Fund.....	61

**Supplementary Information**

Combining Balance Sheet – Nonmajor Governmental Funds .....	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	64

**Compliance and Other Reports**

Schedule of Expenditures of State Financial Assistance .....	65
Notes to the Schedule of Expenditures of State Financial Assistance .....	66
Schedule of Findings and Questioned Costs.....	67 - 68

Independent Auditor’s Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by Chapter 10.550, Rules of the Auditor General.....	69 - 71
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i> .....	72 - 73
Independent Auditor’s Management Letter Required by Chapter 10.550, Rules of the Auditor General .....	74 - 75
Independent Accountant’s Report on Compliance with Section 218.415, Florida Statutes, <i>Investments of Public Funds</i> .....	76
Management’s Response to Findings .....	77

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, 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 Frostproof, Florida (the City), as of and for the year ended September 30, 2025, 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, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter - Adjustment to Prior Period Financial Statements***

As discussed in Note 15 to the financial statements, the City was previously improperly recognizing water and sewer impact fees in the general fund rather than the enterprise fund. This required a restatement of the fiscal year 2024 financial statements, which was accomplished by decreasing the general fund's beginning fund balance by \$159,375 and increasing the enterprise fund's beginning net position by that same amount. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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 the financial statements that are free from material misstatement, whether due to fraud or error.

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Frostproof, Florida

## INDEPENDENT AUDITOR'S REPORT

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 generally accepted auditing standards and *Government Auditing Standards*, 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, budgetary comparison information, schedules of changes in net pension liabilities, and schedules of contributions and investment returns (collectively, the "required supplementary

The Honorable Mayor and  
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Frostproof, Florida

## INDEPENDENT AUDITOR'S REPORT

information”) 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’s basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 non-major fund financial statements and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2026, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

*Purvis Gray*

May 1, 2026  
Sarasota, Florida

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Frostproof, Florida (the City) offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2025. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,436,284 (net position). Of this amount, \$6,311,774 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased (decreased) by \$2,028,591 in fiscal year 2025. Net position of the City's governmental activities increased (decreased) by \$595,279, while net position of its business-type activities increased (decreased) by \$1,433,312.
- The City's governmental funds reported a combined ending fund balance of \$7,779,388 at the end of the current fiscal year, which increased by \$1,178,143 in comparison to amounts reported at the end of the prior fiscal year.
- At the end of the 2025 fiscal year, unassigned fund balance for the General Fund was \$3,419,871 or 104% of the total fiscal year 2025 general fund recurring expenditures and transfers out of \$3,278,554. This represents an increase of \$981,861 in unassigned fund balance from the \$2,438,010 reported at the end of 2024.

### **Overview of the Financial Statements**

The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Management's discussion and analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, as well as other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods, and an economic resources focus, as utilized by similar business activities in the private sector. Information concerning the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide financial statements.

**CITY OF FROSTPROOF, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2025**

The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the City's utility system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plan for the City's employees), to whom the resources in question belong.

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

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

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of its fiscal year, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets and deferred outflows of resources without a corresponding increase to liabilities and deferred inflows results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government services, public safety (police and building inspection), transportation, and recreation and leisure services. The business-type activities of the City include its water and wastewater utility system, stormwater management, and sanitation.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**CITY OF FROSTPROOF, FLORIDA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2025**

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 14 and 16.

The City maintains one major governmental funds, the general fund. The general fund accounts for the activities of a variety of different programs that are not financed from direct user charges. As a major funds, the general fund is accounted for as a separate column on the governmental fund financial statements. All of the other governmental funds of the City are reported as nonmajor governmental funds.

**Proprietary Funds.** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The City’s single proprietary fund, the enterprise fund, is the only item included in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data. The basic proprietary fund financial statements can be found on pages 17 to 19 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City reports two pension trust funds that are used to report resources held in trust for retirees and beneficiaries covered by the general employees’ pension trust fund and the police officers’ pension trust fund. Additionally, the City reports a custodial fund to account for certain fees collected on behalf of other governments. The basic fiduciary fund financial statements can be found on pages 20 to 21 of this report.

**Financial Analysis of the City as a Whole**

**Net Position.** As noted previously, net position may serve over time as a useful indicator of a government’s financial position. This year, the City’s combined total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) by \$27,436,284 at the end of 2025, compared to \$25,407,693 at the end of 2024. This represents a total increase of \$2,028,591 or 8.0% over the amount reported at the end of the prior fiscal year.

**CITY OF FROSTPROOF, FLORIDA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2025**

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

**Net Position  
September 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>ASSETS</b>						
Current and other assets	\$ 8,149,449	\$ 7,114,713	\$ 2,799,713	\$ 2,201,829	\$ 10,949,162	\$ 9,316,542
Capital assets	5,373,859	5,443,244	14,255,089	13,617,205	19,628,948	19,060,449
Total assets	<u>\$ 13,523,308</u>	<u>\$ 12,557,957</u>	<u>\$ 17,054,802</u>	<u>\$ 15,819,034</u>	<u>\$ 30,578,110</u>	<u>\$ 28,376,991</u>
<b>DEFERRED OUTFLOWS</b>	<u>\$ 80,532</u>	<u>\$ 582,554</u>	<u>\$ 64,435</u>	<u>\$ 207,782</u>	<u>\$ 144,967</u>	<u>\$ 790,336</u>
<b>LIABILITIES</b>						
Current liabilities	\$ 168,621	\$ 230,243	\$ 347,504	\$ 380,247	\$ 516,125	\$ 610,490
Noncurrent liabilities:	980,712	956,809	1,339,130	1,629,632	2,319,842	2,586,441
Total liabilities	<u>\$ 1,149,333</u>	<u>\$ 1,187,052</u>	<u>\$ 1,686,634</u>	<u>\$ 2,009,879</u>	<u>\$ 2,835,967</u>	<u>\$ 3,196,931</u>
<b>DEFERRED INFLOWS</b>	<u>\$ 307,106</u>	<u>\$ 241,962</u>	<u>\$ 143,720</u>	<u>\$ 320,741</u>	<u>\$ 450,826</u>	<u>\$ 562,703</u>
<b>NET POSITION</b>						
Net investment in capital assets	\$ 5,373,859	\$ 5,416,778	\$ 12,957,791	12,028,303	\$ 18,331,650	\$ 17,445,081
Restricted	2,045,646	1,931,149	747,214	610,210	2,792,860	2,541,359
Unrestricted	4,727,896	4,363,570	1,583,878	1,057,683	6,311,774	5,421,253
Total net position	<u>\$ 12,147,401</u>	<u>\$ 11,711,497</u>	<u>\$ 15,288,883</u>	<u>\$ 13,696,196</u>	<u>\$ 27,436,284</u>	<u>\$ 25,407,693</u>

To enhance comparability, certain prior-year amounts have been reclassified to conform with the current year’s presentation. These reclassifications had no effect on overall net position. The most significant component of the City’s net position (approximately 67%) is, by far, its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (10%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 23% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled \$6,311,774 at year-end, compared to \$5,421,253 in 2024.

**Changes in Net Position.** While the statement of net position shows a snapshot of the City’s financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2025, total revenues were \$8,889,532 compared to \$10,072,877 in the prior year. Approximately 16% of the City’s revenue came from property taxes, 15% from other taxes, 38% from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues.

The most substantial change related to approximately \$1.4 million less in operating and capital grants due to the timing of major capital grant projects for the City’s utility system.

**CITY OF FROSTPROOF, FLORIDA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2025**

During 2025, expenses were \$6,860,941 as opposed to \$5,758,051 in the prior year, for an increase of approximately 19%. City-wide, general government expenses accounted for approximately 10% of the City’s expenses, public safety expenses totaled approximately 31%, culture and recreation expenses totaled approximately 9%, water and wastewater expenses were approximately 31%, and the sanitation expenses were 10%. The other functions with smaller percentages included physical environment, transportation, and stormwater.

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

**Changes in Net Position  
For the Fiscal Years Ended September 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 700,137	\$ 931,952	\$ 2,646,856	\$ 2,384,586	\$ 3,346,993	\$ 3,316,538
Operating grants and contributions	221,437	731,854	-	-	221,437	731,854
Capital grants and contributions	289,748	698,406	1,579,150	2,026,679	1,868,898	2,725,085
General revenues:						
Property taxes	1,444,690	1,347,360	-	-	1,444,690	1,347,360
Other taxes	1,297,924	1,188,264	-	-	1,297,924	1,188,264
Intergovernmental and grants	409,254	412,774	-	-	409,254	412,774
Other revenues	226,565	313,652	73,771	37,350	300,336	351,002
Total revenues	<u>4,589,755</u>	<u>5,624,262</u>	<u>4,299,777</u>	<u>4,448,615</u>	<u>8,889,532</u>	<u>10,072,877</u>
<b>EXPENSES</b>						
General government	657,226	730,106	-	-	657,226	730,106
Public safety	2,156,364	1,057,557	-	-	2,156,364	1,057,557
Physical environment	60,080	62,935	-	-	60,080	62,935
Transportation	482,242	525,575	-	-	482,242	525,575
Culture and recreation	638,564	618,517	-	-	638,564	618,517
Interest	-	533	-	-	-	533
Water and wastewater	-	-	2,100,207	2,054,439	2,100,207	2,054,439
Sanitation	-	-	660,679	602,988	660,679	602,988
Stormwater	-	-	105,579	105,401	105,579	105,401
Total expenses	<u>3,994,476</u>	<u>2,995,223</u>	<u>2,866,465</u>	<u>2,762,828</u>	<u>6,860,941</u>	<u>5,758,051</u>
Change in net position	595,279	2,629,039	1,433,312	1,685,787	2,028,591	4,314,826
Restatement of beginning net position	(159,375)	-	159,375	-	-	-
Net position, beginning of year	11,711,497	9,082,458	13,696,196	12,010,409	25,407,693	21,092,867
Net position, end of year	<u>\$ 12,147,401</u>	<u>\$ 11,711,497</u>	<u>\$ 15,288,883</u>	<u>\$ 13,696,196</u>	<u>\$ 27,436,284</u>	<u>\$ 25,407,693</u>

**Governmental Activities**

Revenues for the City’s governmental activities totaled \$4,589,755 in 2025. This represents a decrease of approximately \$1 million from last year’s reported revenues of \$5,624,262, primarily due to timing differences in operating and capital grants from federal awards and state financial assistance.

Governmental activities expenses totaled \$3,994,476, which represents a increase of approximately \$1 million from the prior year’s total of \$2,995,223, which was primarily due to increased public safety expenses related to the pension expense.

**CITY OF FROSTPROOF, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2025**

**Business-Type Activities**

The major source of revenues for the City's business-type activities is charges for services (water, wastewater, sanitation, and stormwater), which increased to a total of \$2,646,856 during the year, or approximately \$262,000 more than charges of \$2,384,586 in 2024. This increase was largely due to increased customer usage. Capital grants and contributions also decreased approximately \$448,000 due to timing differences in activity on wastewater grant projects funded by state financial assistance.

Total operating expenses of the enterprise fund in 2025 totaled \$2,866,465, compared to \$2,762,828 in 2024, a minimal increase of approximately \$104,000, primarily due to inflationary cost increases.

**Financial Analysis of the City's Funds**

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

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 the City completed the year, its governmental funds reported a combined fund balance of \$7,779,388, which was an increase of \$1,178,143 compared with the amount reported last year.

The general fund is the chief operating fund of the City. As of September 30, 2025, the unassigned fund balance in the general fund totaled \$3,419,871. This unassigned fund balance represents approximately 104% of the City's general spending requirements experienced during 2025.

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

Net position of the Enterprise Fund at the end of the year amounted to \$15,288,883, which is an increase of \$1,433,312 compared with last year's reported amount of \$13,696,196 (including a restatement of beginning net position, as discussed in the notes to the financial statements. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

Actual earned revenues were \$21,741 less than the amounts originally budgeted to be received during the year in the City's General Fund, primarily due to lower intergovernmental grant revenues than originally budgeted as a result of timing differences. Actual expenditures incurred were \$1,009,128 less than budgeted, primarily due to lower other general government reserve expenditures than originally budgeted. The general fund budget was amended during the year to increase appropriations by \$221,800 related to unexpected one-time expenditures.

**CITY OF FROSTPROOF, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2025**

**Capital Assets and Debt Administration**

*Capital Assets.* At September 30, 2025, the City had approximately \$18.3 million of net investments in a broad range of capital assets, including land, buildings, vehicles, equipment (purchased and leased), furnishings, water and wastewater treatment system, and stormwater system. See Note (6) for further information on the City's capital assets.

*Long-Term Debt.* The City has bonds and notes payable totaling \$1,297,298 at year-end, compared to \$1,577,083 one year earlier. The proceeds of these bonds and notes payable, which were drawn in increments over 2017 and preceding years, were used to finance the construction of improvements to the City's water and wastewater system. Under these agreements, the City must repay these loans with semiannual payments.

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

**Economic Factors and Next Year's Budgets and Rates**

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

- The most recent estimates available for unemployment data in City, Polk County, and the State of Florida are compiled by the Florida Department of Commerce. This agency estimates a countywide unemployment rate of 5.2% at the end of September 2025
- Property tax revenue in fiscal year 2026 is expected to be higher compared to the property taxes collected in fiscal year 2025. This is due to rising property values and the flat 6.5530 millage rate for the 2026 tax levy.
- The fiscal year 2026 budgets adopted for all funds utilized the prior year's final adopted budgets and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budgets. The final budget was further modified to reflect changing revenue projections and anticipated changes in expenditure trends.
- Inflationary trends for Polk County are consistent with those trends experienced at the state and national levels.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Frostproof, Florida, finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager at the Frostproof City Hall, 111 West First Street, Frostproof, Florida 33843.

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2025**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,334,750	\$ 86,197	\$ 3,420,947
Receivables, net	76,677	287,512	364,189
Internal balances	2,515,311	(2,515,311)	-
Due from other governments	177,065	4,194,101	4,371,166
Restricted assets:			
Cash and cash equivalents	1,844,206	586,037	2,430,243
Net pension asset	201,440	161,177	362,617
Capital assets:			
Non-depreciable	261,886	5,754,513	6,016,399
Depreciable, net	5,111,973	8,500,576	13,612,549
Total assets	<u>\$ 13,523,308</u>	<u>\$ 17,054,802</u>	<u>\$ 30,578,110</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>\$ 80,532</u>	<u>\$ 64,435</u>	<u>\$ 144,967</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 122,347	\$ 256,130	\$ 378,477
Customer deposits	-	80,895	80,895
Unearned revenue	18,387	-	18,387
Due to other governments	27,887	7,436	35,323
Accrued interest payable	-	3,043	3,043
Noncurrent liabilities:			
Due within one year:			
Bonds and loans payable	-	285,025	285,025
Due in more than one year:			
Bonds and loans payable	-	1,012,273	1,012,273
Compensated absences	62,748	41,832	104,580
Net pension liability	917,964	-	917,964
Total liabilities	<u>\$ 1,149,333</u>	<u>\$ 1,686,634</u>	<u>\$ 2,835,967</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	<u>\$ 307,106</u>	<u>\$ 143,720</u>	<u>\$ 450,826</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 5,373,859	\$ 12,957,791	\$ 18,331,650
Restricted for:			
Debt service	-	76,394	76,394
Pension benefits	201,440	161,177	362,617
Cultural activities	30,712	-	30,712
Capital improvements	645,105	509,643	1,154,748
Building code enforcement	396,623	-	396,623
Transportation improvements	771,766	-	771,766
Unrestricted	4,727,896	1,583,878	6,311,774
Total net position	<u>\$ 12,147,401</u>	<u>\$ 15,288,883</u>	<u>\$ 27,436,284</u>

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

**CITY OF FROSTPROOF, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 657,226	\$ 130,165	\$ 69,011	\$ 144,207	\$ (313,843)	\$ -	\$ (313,843)
Public safety	2,156,364	552,164	42,846	63,384	(1,497,970)	-	(1,497,970)
Physical environment	60,080	-	-	-	(60,080)	-	(60,080)
Transportation	482,242	-	-	7,251	(474,991)	-	(474,991)
Culture and recreation	638,564	17,808	109,580	74,906	(436,270)	-	(436,270)
Total governmental activities	<u>3,994,476</u>	<u>700,137</u>	<u>221,437</u>	<u>289,748</u>	<u>(2,783,154)</u>	<u>-</u>	<u>(2,783,154)</u>
Business-type activities:							
Water and wastewater	2,100,207	1,929,409	-	1,570,626	-	1,399,828	1,399,828
Sanitation	660,679	647,343	-	-	-	(13,336)	(13,336)
Stormwater	105,579	70,104	-	8,524	-	(26,951)	(26,951)
Total business-type activities	<u>2,866,465</u>	<u>2,646,856</u>	<u>-</u>	<u>1,579,150</u>	<u>-</u>	<u>1,359,541</u>	<u>1,359,541</u>
Total primary government	<u>\$ 6,860,941</u>	<u>\$ 3,346,993</u>	<u>\$ 221,437</u>	<u>\$ 1,868,898</u>	<u>(2,783,154)</u>	<u>1,359,541</u>	<u>(1,423,613)</u>
General revenues:							
Property taxes					1,444,690	-	1,444,690
Sales and use taxes					326,905	-	326,905
Franchise fees					352,010	-	352,010
Public service taxes					619,009	-	619,009
State revenue sharing					377,644	-	377,644
Other intergovernmental revenues					31,610	-	31,610
Investment earnings					202,910	38,238	241,148
Miscellaneous revenues					23,655	35,533	59,188
Total general revenues					<u>3,378,433</u>	<u>73,771</u>	<u>3,452,204</u>
Change in net position					595,279	1,433,312	2,028,591
Net position, beginning of year, as originally reported					11,711,497	13,696,196	25,407,693
Restatement of beginning net position					(159,375)	159,375	-
Net position, beginning of year, as restated					<u>11,552,122</u>	<u>13,855,571</u>	<u>25,407,693</u>
Net position, end of year					<u>\$ 12,147,401</u>	<u>\$ 15,288,883</u>	<u>\$ 27,436,284</u>

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

**CITY OF FROSTPROOF, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2025**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,502,738	\$ 676,218	\$ 5,178,956
Receivables, net	76,677	-	76,677
Due from other governments	177,065	-	177,065
Advances to other funds	2,515,311	-	2,515,311
<b>Total assets</b>	<u>\$ 7,271,791</u>	<u>\$ 676,218</u>	<u>\$ 7,948,009</u>
<b>Liabilities</b>			
Accounts payable	\$ 88,720	\$ 401	\$ 89,121
Accrued payroll and employee benefits	33,226	-	33,226
Due to other governments	27,887	-	27,887
Unearned revenue	18,387	-	18,387
Due to other funds	-	-	-
<b>Total liabilities</b>	<u>168,220</u>	<u>401</u>	<u>168,621</u>
<b>Fund Balances</b>			
Nonspendable:			
Advances to other funds	2,515,311	-	2,515,311
Restricted for:			
Building code enforcement	396,623	-	396,623
Capital improvements	-	645,105	645,105
Transportation improvements	771,766	-	771,766
Cultural activities	-	30,712	30,712
Unassigned	3,419,871	-	3,419,871
<b>Total fund balances</b>	<u>7,103,571</u>	<u>675,817</u>	<u>7,779,388</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,271,791</u>	<u>\$ 676,218</u>	<u>\$ 7,948,009</u>

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

**CITY OF FROSTPROOF, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025**

<b>Fund balances - total governmental funds</b>		\$ 7,779,388
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	12,567,979	
Less: accumulated depreciation	<u>(7,194,120)</u>	5,373,859
On the governmental fund statements, a net pension liability (asset) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability (asset) of the defined benefit pension plans is reported as a noncurrent liability (asset). Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(917,964)	
Net pension asset	201,440	
Deferred outflows related to pensions	80,532	
Deferred inflows related to pensions	<u>(307,106)</u>	(943,098)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities consist of the following:		
Compensated absences	<u>(62,748)</u>	(62,748)
<b>Net position of governmental activities</b>		<u><u>\$ 12,147,401</u></u>

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

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 2,461,020	\$ -	\$ 2,461,020
Licenses, permits, and assessments	870,638	103,947	974,585
Intergovernmental	532,074	-	532,074
Charges for services	244,376	-	244,376
Fines and forfeitures	5,631	-	5,631
Miscellaneous	237,270	3,960	241,230
Total revenues	<u>4,351,009</u>	<u>107,907</u>	<u>4,458,916</u>
<b>Expenditures</b>			
Current:			
General government	638,176	-	638,176
Public safety	1,460,144	-	1,460,144
Physical environment	57,145	-	57,145
Transportation	373,193	-	373,193
Culture and recreation	535,049	2,219	537,268
Capital outlay	209,980	-	209,980
Debt service			
Principal	4,867	-	4,867
Total expenditures	<u>3,278,554</u>	<u>2,219</u>	<u>3,280,773</u>
<b>Net change in fund balances</b>	<u>1,072,455</u>	<u>105,688</u>	<u>1,178,143</u>
<b>Fund balances</b> , beginning of year, as originally reported	6,190,491	570,129	6,760,620
Restatement of beginning fund balances	(159,375)	-	(159,375)
<b>Fund balance</b> , beginning of year, as restated	<u>6,031,116</u>	<u>570,129</u>	<u>6,601,245</u>
<b>Fund balances</b> , end of year	<u><u>\$ 7,103,571</u></u>	<u><u>\$ 675,817</u></u>	<u><u>\$ 7,779,388</u></u>

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

**CITY OF FROSTPROOF, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,178,143</b>
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	209,980
Depreciation expense	(388,605)
Contributed capital assets	132,676
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold/disposed.	
	(23,436)
Bonds and notes payable, lease, and SBITA proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of governmental long-term debt	26,466
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability (asset) and deferred inflows/outflows related to pensions	(518,465)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in compensated absences liability	(21,480)
<b>Change in net position of governmental activities</b>	<b>\$ 595,279</b>

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

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2025**

	<u>Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 86,197
Restricted cash	76,394
Accounts receivable, net	287,512
Due from other governments	4,194,101
Total current assets	<u>4,644,204</u>
Noncurrent assets:	
Restricted cash	509,643
Net pension asset	161,177
Capital assets:	
Non-depreciable	5,754,513
Depreciable, net	8,500,576
Total noncurrent assets	<u>14,925,909</u>
Total assets	<u><u>\$ 19,570,113</u></u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	<u><u>\$ 64,435</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 256,130
Customer deposits	80,895
Due to other governments	7,436
Advances from other funds	2,515,311
Payable from restricted assets:	
Current maturities on bonds and loans payable	285,025
Accrued interest payable	3,043
Total current liabilities	<u>3,147,840</u>
Noncurrent liabilities:	
Bonds and loans payable	1,012,273
Compensated absences	41,832
Total noncurrent liabilities	<u>1,054,105</u>
Total liabilities	<u><u>\$ 4,201,945</u></u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	<u><u>\$ 143,720</u></u>
<b>Net Position</b>	
Net investment in capital assets	\$ 12,957,791
Restricted for:	
Debt service	76,394
Pension benefits	161,177
Capital improvements	509,643
Unrestricted	1,583,878
Total net position	<u><u>\$ 15,288,883</u></u>

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

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>Enterprise Fund</u>
<b>Operating revenues</b>	
Charges for services:	
Water and wastewater	\$ 1,929,409
Sanitation	647,343
Stormwater	70,104
Miscellaneous income	35,533
Total operating revenues	<u>2,682,389</u>
<b>Operating expenses</b>	
Personnel services	499,385
Contractual services	775,216
Other operating expenses	548,960
Depreciation	1,005,303
Total operating expenses	<u>2,828,864</u>
<b>Operating income (loss)</b>	<u>(146,475)</u>
<b>Nonoperating revenues (expenses)</b>	
Investment income (loss)	38,238
Interest expense	(37,601)
Total nonoperating revenues (expenses)	<u>637</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(145,838)</u>
<b>Capital contributions and transfers</b>	
Capital grants	1,467,122
Capital contributions and impact fees	112,028
Total nonoperating revenues (expenses)	<u>1,579,150</u>
<b>Change in net position</b>	<u>1,433,312</u>
<b>Net position</b> , beginning of year, as originally reported	13,696,196
Restatement of beginning net position	159,375
<b>Net position</b> , beginning of year, as restated	<u>13,855,571</u>
<b>Net position</b> , end of year	<u><u>\$ 15,288,883</u></u>

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

**CITY OF FROSTPROOF, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>Enterprise Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 2,701,415
Cash paid to employees	(528,956)
Cash paid to suppliers	(1,338,240)
Net cash provided by operating activities	<u>834,219</u>
<b>Cash flows from noncapital financing activities</b>	
Interfund loans related to prior period restatement	159,375
Net cash provided by noncapital financing activities	<u>159,375</u>
<b>Cash flows from capital and related financing activities</b>	
Impact fees and capital contributions	112,028
Acquisition and construction of capital assets	(1,643,187)
Capital grants	978,789
Principal payments of long-term debt	(291,604)
Interest paid	(40,379)
Net cash used in capital and related financing activities	<u>(884,353)</u>
<b>Cash flows from investing activities</b>	
Interest received	38,238
Net cash provided by (used in) investing activities	<u>38,238</u>
<b>Net change in cash and cash equivalents</b>	<u>147,479</u>
<b>Cash and cash equivalents, beginning of year</b>	524,755
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 672,234</u></u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (146,475)
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:	
Depreciation	1,005,303
Changes in assets and liabilities:	
Accounts receivable	34,927
Net pension asset	(30,673)
Accounts payable and accrued liabilities	(14,064)
Due to other governments	(14,211)
Deposits	(1,690)
Compensated absences	1,102
Net cash provided by (used in) operating activities	<u><u>\$ 834,219</u></u>
<b>Cash and cash equivalents classified as:</b>	
Unrestricted	\$ 86,197
Restricted	586,037
Total cash and cash equivalents	<u><u>\$ 672,234</u></u>

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

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2025**

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 54,353	\$ -
Receivables		
Employer contributions receivable	36,695	-
Due from broker	1,847	-
Interest and dividends receivable	11,691	-
Total receivables	<u>50,233</u>	<u>-</u>
Investments, at fair value		
U.S. government obligations	474,336	-
Corporate bonds	668,254	-
Corporate stocks	1,779,914	-
Equity mutual fund	1,341,705	-
Fixed income mutual fund	208,689	-
FMPTF	2,400,439	-
Total investments	<u>6,873,337</u>	<u>-</u>
Prepaid items	31,875	-
Total assets	<u>\$ 7,009,798</u>	<u>\$ -</u>
<b>Net Position</b>		
Restricted for pensions	<u>\$ 7,009,798</u>	<u>\$ -</u>

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

**CITY OF FROSTPROOF, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 142,010	\$ -
Plan members	33,109	-
State - insurance premium taxes	42,846	-
Fees collected on behalf of other governments	-	307,182
Total contributions	<u>217,965</u>	<u>307,182</u>
Investment earnings:		
Interest and dividends	91,826	-
Net appreciation (depreciation) in fair value of investments	468,611	-
Total investment earnings	<u>560,437</u>	<u>-</u>
Less: investment expense	(36,623)	-
Net investment income (loss)	<u>523,814</u>	<u>-</u>
Total additions	<u>741,779</u>	<u>307,182</u>
<b>Deductions</b>		
Benefit payments	397,086	-
Administrative expenses	33,792	-
Remittance of fees to other governments	-	307,182
Total deductions	<u>430,878</u>	<u>307,182</u>
<b>Change in net position</b>	<u>310,901</u>	<u>-</u>
<b>Net position</b> , beginning of year	6,698,897	-
<b>Net position</b> , end of year	<u>\$ 7,009,798</u>	<u>\$ -</u>

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

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

(a) **Reporting entity**—The City of Frostproof, Florida is a political subdivision of the State of Florida created by a Home Rule Charter adopted by Ordinance 342 on May 9, 1977 and approved by referendum on May 17, 1977, under the municipal home rule powers act, Florida Statutes Chapter 166. The Charter was amended most recently by referendum on April 3, 2007. The City operates under a council-city manager form of government. These financial statements include all of the funds, organizations, agencies, and departments of the City (the primary government) and any legally separate entities (component units) required by U.S. GAAP to be included in the reporting entity.

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

Based on these criteria, the financial reporting entity reports two fiduciary component units which are legally separate from the City, but are so intertwined that they are, in substance the same as the City. They are reported as part of the City and blended with the fiduciary funds of the City and are the General Employees' Pension Trust Fund established pursuant to Ordinance No. 411 and the Police Officers' Pension Trust Fund established pursuant to Chapter 185, Florida Statutes and Ordinance No. 00-O-4.

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

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

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

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

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

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

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

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

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, except for reimbursement-type grants, which are considered available if collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The **Enterprise Fund** accounts for operations that are financed and operated in a manner like private business enterprises where the costs of providing services, including capital costs, are to be recovered with fees and charges for providing sanitation, potable water, stormwater management and, wastewater collection, treatment and disposal to area residents.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

Additionally, the City reports the following nonmajor funds and fund types:

The *Impact Fee Special Revenue Fund* is used to account for the collection and expenditure of impact fees levied on new development, restricted for capital projects that expand capacity in public infrastructure such as transportation, parks, and public safety.

The *Latt Maxcy Memorial Library Special Revenue Fund* accounts for donations and other restricted resources provided for the operation, maintenance, and enhancement of the City's public library services.

The *Pension Trust Funds* accounts for the financial activities of the General Employees' Pension Plan and the Police Officers' Pension Plan, which accumulates financial resources to pay pension benefits to qualified employees.

The *Custodial Fund* accounts for impact fees collected by the City on behalf of Polk County, Florida (the County). These resources are held in a custodial capacity and remitted to the County in accordance with applicable agreements.

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

- i. On or before July 15<sup>th</sup>, the City Clerk submits a preliminary budget to the City Council for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Council, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.
- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
- v. The City Council, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.
- vi. The City Council must approve all inter-departmental budget amendments and/or appropriations transfers. Budgetary control is exercised at the department level.
- vii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the City Council were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

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

(g) **Deposits and investments**—The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with GASB Codification Section I50, *Investments*, and Section F80, *Fair Value Measurement*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

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

(i) **Capital assets**—Capital assets include land, buildings, improvements, utility plant, infrastructure, and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system) acquired prior to October 1, 2003, have not been reported. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City.

Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more (\$5,000 for infrastructure assets) and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

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

Assets	Years
Land improvements	15 – 25 years
Buildings	25 – 40 years
Utility system	20 – 50 years
Machinery, equipment and furniture	5 – 15 years
Vehicles	7 – 15 years
Infrastructure	25 – 50 years

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

(k) **Compensated absences**—The City personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. The liability for these compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recognized for leave that has not been used if (1) the leave is attributable to services already rendered, (2) the leave accumulates, and (3) it is more likely than not that the leave will be used for time off or otherwise paid or settled. A liability also is recognized for leave that has been used but not yet paid. The compensated absences liability is measured using employees’ pay rates in effect at the end of the fiscal year. The liability includes salary-related payments, where applicable. A liability for those amounts is recorded in the governmental funds only if the liability has matured because of employee resignations, terminations or retirements.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

(l) **Leases**—The City accounts for leases in accordance with GASB Codification Section L20, *Leases*, which requires recognition of lease assets and liabilities for leases previously classified as operating leases and establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The City has no significant leases receivable or leases payable at September 30, 2025.

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pensions, as discussed further in Note (9).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category consisted of deferred inflows of resources related to pensions, as discussed further in Note (9).

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

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

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

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

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

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

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

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

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

(q) **Implementation of new accounting standards**—During the fiscal year ended September 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. GASB 101 establishes updated recognition and measurement guidance for liabilities related to compensated absences, including vacation, sick leave, and similar benefits. Under GASB 101, the City recognizes a liability for leave attributable to services already rendered that is either expected to be used or paid in the short term, or, for leave expected to be used or paid beyond the short term, that is more likely than not to be used for time off or otherwise paid or settled through noncash means. GASB 102 establishes disclosure requirements for risks related to a government's vulnerabilities due to certain concentrations or constraints. Implementation of GASB 101 and 102 did not require a restatement of beginning net position or fund balance and did not have a significant impact on the financial statements.

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

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

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**(3) Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide, and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2025, the millage rate assessed by the City was 6.5530 per \$1,000.

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

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

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

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

Valuation Date:	January 1, 2024
Preliminary Tax Roll Date:	July 1, 2024
Council Tax Rate Hearings:	September 2024
Levy Date:	November 1, 2024
Due Date:	March 31, 2025
Lien Date:	June 1, 2025

**(4) Deposits and Investments:**

The City, for accounting and investment purposes, maintains pooled noninterest-bearing bank accounts for substantially all City funds. Additional accounts are held to segregate restricted resources or amounts held on behalf of others.

State statutes and City policy authorize investments in time deposits, obligations of the U.S. Government or obligations guaranteed by the U.S. Government, registered investment pools such as FLCLASS or the Florida Municipal Pension Trust Fund (FMPTF), SEC-registered money market funds, corporate bonds, commercial paper, and repurchase agreements, subject to rating and maturity limitations.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

As of September 30, 2025, all City deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

***City Investment Portfolio (Excluding Pension Trust Funds)***

The City does not have a formal investment policy for dealing with investment risks and therefore follows the guidance in the Florida Statutes. The types of investments in which the City may invest are governed by Section 218.415, Florida Statutes. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury.

As of September 30, 2025, the City’s governmental and business-type investment portfolio is composed of the following deposits and investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&amp;P)</u>	<u>Carrying Value</u>	<u>Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5</u>
Cash and cash equivalents	NR	\$ 5,839,144	\$ 5,839,144	\$ -	\$ -
FLCLASS Investment Pool	AAAm	12,046	12,046	-	-
<b>Total Portfolio</b>		<b>\$ 5,851,190</b>	<b>\$ 5,851,190</b>	<b>\$ -</b>	<b>\$ -</b>

The FLCLASS pool operates in accordance with GASB Cod. Sec. 150 and is measured at fair value. The pool maintains a stable net asset value of \$1.00 per share, is rated AAAm by S&P, and had a weighted average maturity of 42 days as of September 30, 2025.

*Interest Rate Risk:* The City limits operating investments to maturities of less than one year to minimize exposure to fair value losses from interest rate changes.

*Credit Risk:* The City invests surplus funds only in qualified public depositories and highly rated pools.

*Concentration of Credit Risk:* No issuer represented more than 5% of the City’s total investments, other than pooled external investment vehicles.

*Custodial Credit Risk:* The City’s demand deposits are held entirely in qualified public depositories and are not subject to custodial credit risk.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

***General Employees' and Police Officers' Pension Trust Funds Investment Portfolio***

The City maintains two single-employer defined benefit pension trust funds. Each plan has a separate investment policy adopted by its Board of Trustees, authorizing investment in equities, fixed income securities, money market instruments, pooled funds, and real estate. The pension portfolios are reported at fair value in accordance with GASB Cod. Sec. I50 and F80. Investments are categorized as Level 1 (quoted prices in active markets), Level 2 (observable inputs), or Level 3 (unobservable inputs).

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgage-backed securities categorized as Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations categorized as Level 3 are valued using consensus pricing. The General Employees' Pension Trust Fund is a participating member of the Florida Municipal Pension Trust Fund (FMPTF). All assets with the FMPTF are invested through the Florida Municipal Investment Trust (FMIvT) for the benefit of the participating members. The FMIvT, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida as a local government investment pool and is considered an external investment pool for GASB purposes and therefore, the City is not required to categorize the positions in the pool within the fair value hierarchy as established by U.S. GAAP. Redemptions from the FMIvT are permitted monthly upon advance written notification.

As of September 30, 2025, the pension trust funds held the following holdings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Rating (S&amp;P)</u>	<u>Fair Value Hierarchy Classification</u>
Cash and cash equivalents	\$ 54,353	N/A	N/A	N/A
U.S. government obligations	474,336	1-5 years	AA+ to AAA	Level 2
Corporate bonds	668,254	1-5 years	BBB+ to AAA	Level 2
Corporate stocks	1,779,914	N/A	N/A	Level 1
Equity mutual fund	1,341,705	N/A	N/A	Level 1
Fixed income mutual fund	208,689	N/A	N/A	Level 1
FMPTF*	2,400,439	N/A	N/A	N/A
Total Portfolio	<u>\$ 6,927,690</u>			

\* The FMPTF is an external investment pool administered by the Florida League of Cities, Inc. The City has a beneficial interest in the portfolio, not in the individual securities held within each portfolio. This fund's investments are targeted for a 60% allocation in equity securities and the remaining 40% in bonds and real estate investments. Separately issued financial statements may be obtained by contacting the administrator for the FMPTF at 301 Bronough Street, Suite 300, Tallahassee, Florida 32301.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. At September 30, 2025, all investments were managed consistent with each plan’s actuarial liquidity needs.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The pension plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2025.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The pension trust funds’ policies do not allow more than five (5) percent of its investments in any single issuer (other than those issued or guaranteed by the U.S. Government or investments in mutual funds or pools). At September 30, 2025, the investment portfolios met these limitations.

*Custodial Credit Risk:* Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held by third-party custodians in the plans’ names.

*Foreign Currency Risk:* The plans’ exposure to international equity funds is diversified; no direct holdings in foreign securities exist.

(5) **Accounts Receivable:**

The City’s receivables consist of the following at September 30, 2025:

	<b>Gross Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Receivable</b>
<b>Governmental Activities</b>			
General Fund			
Accounts receivable	\$ 76,677	\$ -	\$ 76,677
Totals – Governmental Type Activities	76,677	-	76,677
<b>Business-Type Activities</b>			
Enterprise Fund			
Accounts receivable	327,496	(39,984)	287,512
Totals – Business-Type Activities	327,496	(39,984)	287,512
<b>Totals</b>	\$ 404,173	\$ (39,984)	\$ 364,189

In addition to accounts receivable, the City also recorded \$4,371,166 in due from other governments at September 30, 2025.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**(6) Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2025, is as follows:

<i>Governmental activities:</i>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 261,886	\$ -	\$ -	\$ 261,886
Construction in progress	223,831	-	(223,831)	-
Total assets not being depreciated	<u>485,717</u>	<u>-</u>	<u>(223,831)</u>	<u>261,886</u>
Capital assets being depreciated and amortized:				
Building & improvements	4,435,633	132,676	-	4,568,309
Improvements other than buildings	2,027,221	-	-	2,027,221
Infrastructure	1,707,548	274,892	-	1,982,440
Equipment	3,584,791	158,919	(15,587)	3,728,123
Right-to-use leased equipment	23,333	-	(23,333)	-
Subscription assets	29,031	-	(29,031)	-
Total assets being depreciated and amortized	<u>11,807,557</u>	<u>566,487</u>	<u>(67,951)</u>	<u>12,306,093</u>
Less: accumulated depreciation and amortization				
Building & improvements	(2,711,645)	(92,596)	-	(2,804,241)
Improvements other than buildings	(1,251,032)	(58,837)	-	(1,309,869)
Infrastructure	(530,782)	(62,750)	-	(593,532)
Equipment	(2,327,643)	(174,422)	15,587	(2,486,478)
Right-to-use leased equipment	(14,413)	-	14,413	-
Subscription assets	(14,515)	-	14,515	-
Total accumulated depreciation and amortization	<u>(6,850,030)</u>	<u>(388,605)</u>	<u>44,515</u>	<u>(7,194,120)</u>
Total capital assets being depreciated and amortized, net	<u>4,957,527</u>	<u>177,882</u>	<u>(23,436)</u>	<u>5,111,973</u>
Governmental activities capital assets, net	<u>\$ 5,443,244</u>	<u>\$ 177,882</u>	<u>\$ (247,267)</u>	<u>\$ 5,373,859</u>
 <i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 90,317	\$ -	\$ -	\$ 90,317
Construction in progress	3,895,702	1,446,657	-	5,342,359
Intangible assets	105,300	-	-	105,300
Idle assets	216,537	-	-	216,537
Total assets not being depreciated	<u>4,307,856</u>	<u>1,446,657</u>	<u>-</u>	<u>5,754,513</u>
Capital assets being depreciated and amortized:				
Water and wastewater system	20,402,043	207,038	-	20,609,081
Stormwater system	838,115	-	-	838,115
Equipment	1,817,334	-	(3,137)	1,814,197
Right-to-use leased equipment	2,651	-	(2,651)	-
Subscription assets	21,022	-	(21,022)	-
Total assets being depreciated and amortized:	<u>23,081,165</u>	<u>207,038</u>	<u>(26,810)</u>	<u>23,261,393</u>
Less: accumulated depreciation and amortization				
Water and wastewater system	(12,357,178)	(826,150)	-	(13,183,328)
Stormwater system	(433,136)	(20,938)	-	(454,074)
Equipment	(968,338)	(158,215)	3,138	(1,123,415)
Right-to-use leased equipment	(2,651)	-	2,651	-
Subscription assets	(10,511)	-	10,511	-
Total accumulated depreciation and amortization	<u>(13,771,814)</u>	<u>(1,005,303)</u>	<u>16,300</u>	<u>(14,760,817)</u>
Total capital assets being depreciated and amortized, net	<u>9,309,351</u>	<u>(798,265)</u>	<u>(10,510)</u>	<u>8,500,576</u>
Business-type activities capital assets, net	<u>\$ 13,617,207</u>	<u>\$ 648,392</u>	<u>\$ (10,510)</u>	<u>\$ 14,255,089</u>

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 53,680
Public safety	97,932
Physical environment	2,935
Transportation	124,049
Culture and recreation	110,009
Total depreciation expense - governmental activities	<u>\$ 388,605</u>
Business-type activities:	
Water and wastewater	\$ 975,386
Stormwater	29,917
Total depreciation expense - business-type activities	<u>\$ 1,005,303</u>

(7) **Long-Term Debt:**

**A. Changes in Long-Term Debt and Liabilities**

For the fiscal year ended September 30, 2025, a summary of the long-term liability transactions for the City is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Leases payable	\$ 10,142	\$ -	\$ (10,142)	\$ -	\$ -
Subscription arrangements	16,322	-	(16,322)	-	-
Compensated absences*	41,267	21,481	-	62,748	-
Governmental activities – Total long-term liabilities	<u>\$ 67,731</u>	<u>\$ 21,481</u>	<u>\$ (26,464)</u>	<u>\$ 62,748</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
Bonds and loans payable:					
Bonds payable	\$ 1,229,810	\$ -	\$ (167,778)	\$ 1,062,032	\$ 170,690
State Revolving Fund loans	347,272	-	(112,006)	235,266	114,335
Total bonds and loans payable	1,577,082	-	(279,784)	1,297,298	285,025
Subscription arrangements	11,819	-	(11,819)	-	-
Compensated absences*	40,730	1,102	-	41,832	-
Business-type activities – Total long-term liabilities	<u>\$ 1,629,631</u>	<u>\$ 1,102</u>	<u>\$ (291,603)</u>	<u>\$ 1,339,130</u>	<u>\$ 285,025</u>

\*Compensated absences change presented as net change.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(7) **Long-Term Debt:** (Continued)

**B. Bonds and Loans Payable**

**Business-type activities:**

The City has entered into several long-term debt obligations where it pledges specific income streams or income derived from the acquired or constructed assets to pay debt service. Bonds and loans payable in the City's business-type activities at September 30, 2025, were comprised of the following obligations:

<p>\$1,583,306 2012 Water and Sewer Refunding Revenue Bond was issued August 21, 2012, at an interest rate of 3.06%. Annual principal and interest payments of \$115,150 are due through September 2030. The note is secured by net revenues of the water and sewer system and legally available non-ad valorem revenues and debt covenants require a sinking fund and 120% coverage.</p>	\$ 530,123
<p>\$1,050,937 2017 Water and Sewer Refunding Revenue Bond was issued June 23, 2017, at an interest rate of 2.24%. Semiannual payments of \$41,262 are due on March 1 and September 1 of each year until final maturity on September 1, 2032. The bond is on parity with the 2012 bond and debt covenants require a sinking fund and 120% coverage.</p>	531,909
<p>\$2,000,000 State of Florida Department of Environmental Protection (FDEP) Loan WW60007L was awarded August 9, 2005, at an interest rate of 2.09% to provide funds for the collection, transmission and treatment of the wastewater system in the northwest and southeast quadrants of the City and for the planning and design of new collector sewers. Principal and interest payments of \$58,739 are due semiannually on December 15 and June 15 of each year until final maturity on June 15, 2027. The loan is subordinate to the 2012 and 2017 Water and Sewer Refunding Revenue Bonds and secured by the same net revenues of the water and wastewater system. The loan requires the maintenance of sinking and reserve funds at various amounts and require a minimum debt service coverage of 115%.</p>	228,943
<p>\$47,900 State of Florida Department of Environmental Protection (FDEP) Loan DW531010 was awarded March 16, 2021, interest-free, to provide funds to increase the wastewater system disposal capacity. Principal and interest payments of \$527 are due semiannually on February 15 and August 15 of each year until final maturity on February 15, 2032. The loan is subordinate to the 2012 and 2017 Water and Sewer Refunding Revenue Bonds and secured by the same net revenues of the water and wastewater system. The loan requires the maintenance of sinking and reserve funds at various amounts and require a minimum debt service coverage of 120%.</p>	6,323
Total business-type activities	1,297,298
Less: current maturities	(285,025)
Total business-type activities long-term debt	\$ 1,012,273

In the event of default on the City's revenue bonds or state revolving fund loans, the lenders may exercise customary remedies, including acceleration of repayment and enforcement of pledged revenues. Certain loan agreements with the Florida Department of Environmental Protection also allow the appointment of a receiver to operate the water and sewer systems and the imposition of penalty interest.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(7) **Long-Term Debt:** (Continued)

Annual debt service requirements to maturity for the City’s bonds and loans payable are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 285,025	\$ 29,082	\$ 314,107
2027	292,078	23,219	315,297
2028	181,220	17,508	198,728
2029	186,158	12,569	198,727
2030	191,236	7,323	198,559
2031 - 2032	161,581	4,519	166,100
Total	<u>\$ 1,297,298</u>	<u>\$ 94,220</u>	<u>\$ 1,391,518</u>

Long term liabilities, including accumulated compensated absences, are typically liquidated by the individual fund to which the liability is directly associated. All of the City’s long-term debt (bonds and loans payable) arose through direct borrowings or direct placements.

**C. Pledged Revenues**

The City has pledged future net revenues of the water and wastewater system, together with certain legally available non-ad valorem revenues, to secure repayment of the City’s Water and Sewer Refunding Revenue Bonds and State Revolving Fund loans. The pledge remains in effect until the obligations mature, with the bonds secured on parity with each other and senior to the loans. For the year ended September 30, 2025, net water and wastewater pledged revenues recognized by the enterprise fund totaled \$912,936, of which \$316,206 was required to cover principal and interest payments.

(8) **Interfund Loans, Advances, and Transfers:**

The outstanding balances between funds are loans to cover short-term cash flow needs while grant reimbursements are pending collection, and expected to be repaid in full by the enterprise fund upon the receipt of grant funds. Individual advances between funds at September 30, 2025, are comprised of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 2,515,311

During the year ended September 30, 2025, there were no transfers between funds.

**CITY OF FROSTPROOF, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**(9) Pension Plans:**

The City maintains two separate single employer defined benefit pension plans for its employees. Each provides retirement, disability, and death benefits to plan members and beneficiaries. Both plans were established by City ordinance and are governed by separate board of trustees. The pension plans do not issue stand-alone financial reports. These plans are subject to review by independent actuaries to determine annual required contributions.

**Financial Statements**

It is the policy of the City to fund pension costs for defined benefit plans on an actuarial basis, which includes amortization of prior service costs, and to fund defined contribution plans as pension costs accrue.

In the government-wide and proprietary statement of net position, assets or liabilities are recognized for the City’s share of each defined benefit pension plan’s net pension asset or liability. For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s sponsored single employer plans and additions to/deductions from the City’s sponsored single employer plans have been determined on the same basis as they are reported by the City’s sponsored single employer plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. General Employees’ Pension Trust Fund**

**Plan Description and Administration**

The City of Frostproof General Employees’ Pension Trust Fund (the General Plan) is a single-employer defined benefit pension plan established October 1, 1985, covering all employees other than police officers who work at least 20 hours per week. All eligible employees are required to participate after one year of service. The Plan is administered by the Board of Trustees of the General Employees’ Pension Trust Fund.

**Benefits Provided and Employees Covered**

Each Plan provides retirement, termination, disability, and death benefits to plan participants and beneficiaries. Current membership in the employee retirement plans was composed of the following at September 30, 2025:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	27
Active plan members	13
Total plan membership	<hr style="border: 1px solid black;"/> 47

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

Normal retirement age is 65 with at least 10 years of credited service. Upon normal retirement, members are entitled to a benefit at 2.5% of their average final compensation for each year of credited service (up to 30 years). Early retirement age is 55 with at least 10 years of credited service. Upon early retirement, the benefit is reduced actuarially for each year by which the participant's early retirement age precedes the normal retirement age. The plan also provides disability benefits for participants who are disabled on a continuous and permanent basis.

Employees are 100% vested after 10 years of service. The average compensation is equal to the average of the highest consecutive five years of pensionable earnings out of the last 10 years of service. Disability and pre-retirement death benefit amounts are the actuarial equivalent of the normal retirement benefit.

**Contributions**

The City Council establishes and may amend by ordinance the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. Plan members contribute at least 1% but not more than 10% of pensionable earnings. The City's actuarially required contribution for the year ended September 30, 2025, was \$57,989. Actual contributions from the City and employees for the year ended September 30, 2025, were \$57,989 and \$33,109, respectively.

**Net Pension Liability (Asset), Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2025, the net pension liability (asset) of (\$362,617) was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2024. For the year ended September 30, 2025, pension expense (income) of (\$36,397) was recognized.

The components of the net pension liability (asset) of the General Plan at September 30, 2025, were as follows:

Total pension liability	\$	2,058,607
Plan fiduciary net position		<u>(2,421,224)</u>
Net pension liability (asset)		<u>\$ (362,617)</u>
Plan fiduciary net position as percentage of total pension liability		117.61%

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

*Deferred outflows/inflows related to pensions:*

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 112,198	\$ 223,400
Changes of assumptions	32,769	8,714
Net difference between projected and actual investment earnings	-	91,230
	\$ 144,967	\$ 323,344

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

2026	\$ (37,187)
2027	(90,482)
2028	(56,551)
2029	1,309
2030	4,534
	(178,377)

*Actuarial assumptions:*

The total pension liability was determined by an actuarial valuation using the following actuarial assumptions to all measurement periods.

Liability measurement date	September 30, 2025
Valuation date	October 1, 2024
Discount rate	7.00% per year (2.62% per year is attributable to long term inflation); this rate was used to discount all future benefit payments.
Salary increases	5.50% per year, plus average earnings are loaded by 2.50% for accumulated leave payments upon termination of employment.
Cost of living increases	None is assumed
Mortality basis	Pre-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Employee Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year; post-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Healthy Retiree Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

*Long-term expected rate of return:*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2025, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Long-Term Real Rate of Return</u>
Core bonds	15.0%	1.6%
Core plus	15.0%	2.1%
U.S. large cap equity	25.0%	4.6%
U.S. small cap equity	14.0%	5.5%
Non-U.S. equity	21.0%	6.7%
Core real estate	10.0%	5.0%
Total or weighted arithmetic average	<u>100.0%</u>	<u>4.38%</u>

*Discount rate:*

The discount rate used to measure the total pension liability for the General Plan was 7.00%. This discount rate was based on the expected rate of return on pension plan investments of 4.38% and a 2.62% per year attributable to long term inflation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

*Changes in net pension liability (asset):*

Changes in the General Plan’s net pension liability (asset) were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a – b)</b>
Beginning Balance	\$ 1,910,655	\$ 2,198,683	\$ (288,028)
Changes for year:			
Service cost	113,276	-	113,276
Interest	139,273	-	139,273
Differences between expected/actual experience	(56,118)	-	(56,118)
Contributions – employer	-	57,989	(57,989)
Contributions – employee	-	33,109	(33,109)
Net investment income	-	185,743	(185,743)
Benefit payments, including refunds	(48,479)	(48,479)	-
Administrative expenses	-	(5,821)	5,821
Net changes	147,952	222,541	(74,589)
Ending Balance	<u>\$ 2,058,607</u>	<u>\$ 2,421,224</u>	<u>\$ (362,617)</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate:*

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

<b>Current Discount Rate</b>	<b>NPL with 1% Decrease</b>	<b>NPL at Current Discount Rate</b>	<b>NPL with 1% Increase</b>
7.00%	\$ (49,692)	\$ (362,617)	\$ (621,495)

**B. Police Officers’ Pension Trust Fund**

**Plan Description and Administration**

The City of Frostproof Police Officers’ Retirement System (the Police Plan) is a single-employer defined benefit pension plan established January 7, 1975, and amended most recently on June 19, 2023. The Plan is closed to new entrants. The Plan is administered by a five-member Board of Trustees: two City residents appointed by City Council, two police officers elected by their peers, and a fifth member chosen by the other four and confirmed by Council.

All Police Officers as of January 1, 2007, who elected to remain members of the system shall remain members of the system. There shall be no new members. All members shall be employed as a deputy sheriff by the Polk County Sheriff’s Department because of the merger of the City Police Department and the Polk County Sheriff’s Department.

**CITY OF FROSTPROOF, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

**Benefits Provided and Employees Covered**

The Police Plan provides retirement, termination, disability, and death benefits to plan participants and beneficiaries. Current membership in the employee retirement plans was composed of the following at September 30, 2025:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	0
Total plan membership	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 13

Normal retirement age is 50 or the completion of 20 years of credited service. Upon normal retirement, members are entitled to a benefit at 3.55% of their average final compensation for each year of credited service. Early retirement age is 45 with at least 10 years of credited service. Upon early retirement, the accrued benefit reduces by 1/15th for each of the first 5 years and 1/30th for each of the next 5 years that early retirement precedes normal retirement.

Employees are 100% vested after 10 years of service. Disability benefits include the amount of benefit accrued to date of disability but not less than 50% of Average Final Compensation on date of disability for service-connected members. For non-service-connected members, the disability benefit is the greater of the benefit accrued at date of disability using 2% benefit rate, or 25% of their average final compensation.

Pre-retirement death benefits include 50% of average final compensation continued to spouse until death or 15% to each unmarried child until age 18 (22 if student) with a maximum total to all children of 50% for service-connected members. The pre-retirement death benefits for non-service-connected members are the same as for service-connected except the benefit for spouse or maximum benefit for children is 25% of average final compensation. The minimum death benefit is the actuarial equivalent of Member's accrued benefit payable to beneficiary for life. The death benefit after retirement is payable in accordance with the optional form of pension selected at time of retirement. The cost-of-living adjustment for retirees is up to 3% per year beginning on the October 1 following normal retirement age.

**Contributions**

The Police Officers' Pension Trust Fund receives proceeds from an excise tax on casualty insurance premiums to fund its annual required contribution. While the City no longer has its own police department, some of the City police officers who transferred to the Polk County Sheriff's Office elected to remain with the City retirement plan. The City contributes annually such amounts as are necessary to fund the difference between the actuarially required annual contribution for the plan and the excise tax on casualty insurance premiums.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

The City Council establishes and may amend by ordinance the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. Plan members contribute at least 1% of pensionable earnings. The City's actuarially required contribution for the year ended September 30, 2025, was \$126,867. Actual contributions from the City and the insurance premium tax for the year ended September 30, 2025, were \$84,021 and \$42,846, respectively.

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

At September 30, 2025, the net pension liability of \$917,964 was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2024. For the year ended September 30, 2025, pension expense (income) of \$155,056 was recognized.

The components of the net pension liability (asset) of the Police Plan at September 30, 2025, were as follows:

Total pension liability	\$	5,506,538
Plan fiduciary net position		<u>(4,588,574)</u>
Net pension liability (asset)	\$	<u>917,964</u>
Plan fiduciary net position as percentage of total pension liability		83.33%

*Deferred outflows/inflows related to pensions:*

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$	-	\$ 127,482

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

2026	\$	(10,597)
2027		89,353
2028		(118,714)
2029		<u>(87,524)</u>
		<u>(127,482)</u>

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

*Actuarial assumptions:*

The total pension liability was determined by an actuarial valuation using the following actuarial assumptions to all measurement periods.

Liability measurement date	September 30, 2025
Valuation date	October 1, 2024
Discount rate	6.50%.
Inflation	2.50%
Cost of living increases	Up to 3% annually after normal retirement age
Mortality basis	
<i>Healthy Active Lives:</i>	N/A – No remaining active members
<i>Healthy Retiree Lives:</i>	Female: PubS.H-2010 for Healthy Retirees, set forward one year Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year
<i>Beneficiary Lives:</i>	Female: PubG.H-2010 (Below Median) for Healthy Retirees Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year
<i>Disabled Lives:</i>	N/A – No disabled retirees or remaining active members. The above described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman’s July 1, 2024, FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

*Long-term expected rate of return:*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2025, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Long-Term Real Rate of Return</u>
Domestic equity	45.00%	5.80%
International equity	12.50%	4.66%
Emerging markets equity	2.50%	5.60%
Fixed income	30.00%	1.16%
MLP/Energy Infrastructure	10.00%	4.55%
Total	<u>100.00%</u>	

*Discount rate:*

The single equivalent discount rate used to measure the total pension liability for the Police Plan was 6.50%. This discount rate was based on the expected rate of return on pension plan investments of 6.50% and a 2.50% per year attributable to long term inflation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

*Changes in net pension liability (asset):*

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a – b)</b>
Beginning Balance	\$ 5,389,288	\$ 4,500,213	\$ 889,075
Changes for year:			
Interest	338,974	-	338,974
Differences between expected/actual experience	38,045	-	38,045
Assumption changes	88,838	-	88,838
Contributions – employer	-	84,021	(84,021)
Contributions – state	-	42,846	(42,846)
Net investment income	-	338,072	(338,072)
Benefit payments, including refunds	(348,607)	(348,607)	-
Administrative expenses	-	(27,971)	27,971
Net changes	117,250	88,361	28,889
Ending Balance	<u>\$ 5,506,538</u>	<u>\$ 4,588,574</u>	<u>\$ 917,964</u>

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

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

<b>Current Discount Rate</b>	<b>NPL with 1% Decrease</b>	<b>NPL at Current Discount Rate</b>	<b>NPL with 1% Increase</b>
6.50%	\$ 1,617,966	\$ 917,964	\$ 344,275

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

**C. Combining Pension Financial Statements**

**COMBINING SCHEDULE OF NET POSITION – PENSION TRUST FUNDS**

	<b>General Employees' Pension</b>	<b>Police Officers' Pension</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 54,353	\$ 54,353
Receivables			
Employer contributions receivable	20,785	15,910	36,695
Due from broker	-	1,847	1,847
Interest and dividends receivable	-	11,691	11,691
Total receivables	<u>20,785</u>	<u>29,448</u>	<u>50,233</u>
Investments, at fair value			
U.S. government obligations	-	474,336	474,336
Corporate bonds	-	668,254	668,254
Corporate stocks	-	1,779,914	1,779,914
Equity mutual fund	-	1,341,705	1,341,705
Fixed income mutual fund	-	208,689	208,689
FMPTF	2,400,439	-	2,400,439
Total investments	<u>2,400,439</u>	<u>4,472,898</u>	<u>6,873,337</u>
Prepaid items	-	31,875	31,875
Total assets	<u>\$ 2,421,224</u>	<u>\$ 4,588,574</u>	<u>\$ 7,009,798</u>
<b>Net Position</b>			
Restricted for pensions	<u>\$ 2,421,224</u>	<u>\$ 4,588,574</u>	<u>\$ 7,009,798</u>

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(9) **Pension Plans:** (Continued)

**COMBINING SCHEDULE OF CHANGES IN NET POSITION – PENSION TRUST FUNDS**

	<u>General Employees' Pension</u>	<u>Police Officers' Pension</u>	<u>Total</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 57,989	\$ 84,021	\$ 142,010
Plan members	33,109	-	33,109
State - insurance premium taxes	-	42,846	42,846
Total contributions	<u>91,098</u>	<u>126,867</u>	<u>217,965</u>
Investment earnings:			
Interest and dividends	-	91,826	91,826
Net appreciation (depreciation) in fair value of investments	185,743	282,868	468,611
Total investment earnings	<u>185,743</u>	<u>374,694</u>	<u>560,437</u>
Less: investment expense	-	(36,623)	(36,623)
Net investment income (loss)	<u>185,743</u>	<u>338,071</u>	<u>523,814</u>
Total additions	<u>276,841</u>	<u>464,938</u>	<u>741,779</u>
<b>Deductions</b>			
Benefit payments	48,479	348,607	397,086
Administrative expenses	5,821	27,971	33,792
Total deductions	<u>54,300</u>	<u>376,578</u>	<u>430,878</u>
<b>Change in net position</b>	<u>222,541</u>	<u>88,360</u>	<u>310,901</u>
<b>Net position</b> , beginning of year	2,198,683	4,500,214	6,698,897
<b>Net position</b> , end of year	<u>\$ 2,421,224</u>	<u>\$ 4,588,574</u>	<u>\$ 7,009,798</u>

**D. Other Employee Benefit Plans**

The City Manager has the option of participating in a separate deferred compensation plan or to participate in the general employees' pension plan. If the City Manager selects the deferred compensation plan, the City contributes 6% of the City Manager's salary and the City Manager is required to contribute a minimum of 1%. The current City Manager opted to participate in the general employees' pension plan, so no City contributions were made to a deferred compensation plan for the benefit of the City Manager.

The City also offers employees who have completed one year of continuous service an optional non-contributory deferred compensation plan created pursuant to Internal Revenue Code Section 457. Both plans are administered by third party custodians and the plans' assets are not considered part of the reporting entity and are not included in these financial statements.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**(10) Other Postemployment Benefits (OPEB):**

The City follows GASB Cod. Sec. P50, *Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit*, for certain post-employment health care and dental benefits provided by the City.

The City engaged an actuary to estimate the total other postemployment benefit (OPEB) obligation measured as of September 30, 2023, which resulted in an estimated actuarial determined OPEB obligation and OPEB expense that was immaterial and accordingly, there is no OPEB liability recorded in the financial statements. It is the intent of the City to engage an actuary to recalculate the total OPEB liability if there are significant changes in the City’s staffing matrix or the health care benefits provided.

**(11) Joint Venture:**

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

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

*Membership fees* – The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC’s annual working capital needs which are established annually by a resolution of the PRWC’s Board of Directors.

*Projects* – The PRWC is planning, designing, and constructing alternative water systems and these projects are funded by those Member Governments who have agreed to share the cost.

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

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**(12) Segment Information for Enterprise Fund:**

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivables, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended September 30, 2025, is presented below.

**Summary information from statement of net position:**

Capital assets, net	\$ 14,255,089
Long-term debt, including current portion	\$ 1,297,298

**Condensed statement of revenue, expenses, and changes in net position:**

	<b>Water System</b>	<b>Sewer System</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 821,551	\$ 1,107,858	\$ 1,929,409
<b>Operating expenses</b>			
Personnel services	(159,610)	(273,241)	(432,851)
Contractual services	(78,464)	(53,685)	(132,149)
Insurance	(33,025)	(35,034)	(68,059)
Materials and supplies	(106,675)	(91,862)	(198,537)
Repair and maintenance	(80,437)	(47,171)	(127,608)
Utilities	(58,656)	(56,330)	(114,986)
Other operating expenses	(10,599)	(2,431)	(13,030)
Depreciation	(254,554)	(720,832)	(975,386)
Total operating expenses	(782,020)	(1,280,586)	(2,062,606)
<b>Operating income (loss)</b>	39,531	(172,728)	(133,197)
<b>Nonoperating revenues (expenses)</b>			
Investment income (loss)	38,238	-	38,238
Interest expense	-	(37,601)	(37,601)
Capital grants	1,467,122	-	1,467,122
Capital contributions and impact fees	39,375	64,129	103,504
Total nonoperating revenues (expenses)	1,544,735	26,528	1,571,263
<b>Change in net position</b>	\$ 1,584,266	\$ (146,200)	\$ 1,438,066

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

(13) **Contingencies:**

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

(14) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

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

(15) **Prior Period Restatement:**

Beginning fund balance in the general fund has been decreased by \$159,375 to account for water and sewer impact fees incorrectly coded to the general fund in the prior year. A corresponding adjustment has been made to increase beginning net position in the enterprise fund.

(16) **Recent Accounting Pronouncements:**

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

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of GASB 103 are effective for fiscal years beginning after June 15, 2025.

GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires separate disclosure in the capital asset note for leases, subscription-based IT arrangements (SBITAs), certain intangible right-to-use assets, and capital assets held for sale. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025.

GASB issued Statement No. 105, *Subsequent Events*, in December 2025. GASB Statement No. 105 clarifies the subsequent events time frame and establishes accounting and disclosure requirements for recognized and nonrecognized subsequent events. The provisions of GASB Statement No. 105 are effective for fiscal years beginning after June 15, 2026.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FROSTPROOF, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 2,250,571	\$ 2,250,571	\$ 2,461,020	\$ 210,449
Licenses, permits, and assessments	934,762	934,762	870,638	(64,124)
Intergovernmental	744,393	744,393	532,074	(212,319)
Charges for services	220,062	220,062	244,376	24,314
Fines and forfeitures	11,940	11,940	5,631	(6,309)
Miscellaneous	211,022	211,022	237,270	26,248
<b>Total revenues</b>	<b>4,372,750</b>	<b>4,372,750</b>	<b>4,351,009</b>	<b>(21,741)</b>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	48,597	51,897	46,111	5,786
Executive	72,228	72,228	65,214	7,014
Administration	124,429	145,429	138,214	7,215
Legal	46,420	48,420	47,955	465
Planning	88,000	103,000	101,804	1,196
Other general government	587,811	587,811	238,878	348,933
Public safety:				
Police	968,940	968,940	939,771	29,169
Code enforcement	31,897	31,897	27,437	4,460
Fire	344,406	344,406	343,714	692
Protective inspection	144,624	144,624	130,387	14,237
Emergency and disaster relief services	16,500	195,000	60,509	134,491
Physical environment	81,011	81,011	65,225	15,786
Transportation	658,121	658,121	482,358	175,763
Culture and recreation:				
Library	274,299	274,299	229,469	44,830
Parks and recreation	461,279	462,279	267,442	194,837
Special events and other culture and recreation	111,240	112,240	89,199	23,041
Debt service:				
Principal	5,118	5,118	4,867	251
Interest and fiscal charges	962	962	-	962
<b>Total expenditures</b>	<b>4,065,882</b>	<b>4,287,682</b>	<b>3,278,554</b>	<b>1,009,128</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>306,868</b>	<b>85,068</b>	<b>1,072,455</b>	<b>987,387</b>
<b>Other financing sources (uses)</b>				
Transfers out	(339,893)	(339,893)	-	339,893
Issuance of debt	33,025	33,025	-	(33,025)
<b>Total other financing sources (uses)</b>	<b>(306,868)</b>	<b>(306,868)</b>	<b>-</b>	<b>306,868</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(221,800)</b>	<b>1,072,455</b>	<b>1,294,255</b>
<b>Fund balance, beginning of year, as restated</b>	<b>6,031,116</b>	<b>6,031,116</b>	<b>6,031,116</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 6,031,116</b>	<b>\$ 5,809,316</b>	<b>\$ 7,103,571</b>	<b>\$ 1,294,255</b>

The accompanying notes to the Schedule of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual - General  
Fund are an integral part of this schedule.

**CITY OF FROSTPROOF, FLORIDA**  
**NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**SEPTEMBER 30, 2025**

(1) **Budgetary Information:**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The preparation, adoption and amendment of the budgets are governed by Florida Statutes. Public hearings are conducted to obtain taxpayer comments.
- b) Budget excess expenditures over revenues are funded through appropriations from the City Council.
- c) Formal budgetary integration is employed as a management control device during the year. The legal level of budgetary control is the department level.
- d) The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**CITY OF FROSTPROOF, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**GENERAL EMPLOYEES' PENSION TRUST FUND**  
**SEPTEMBER 30, 2025**

Fiscal Year Ended September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>										
Service cost	\$ 113,276	\$ 110,868	\$ 79,092	\$ 69,106	\$ 86,830	\$ 45,005	\$ 51,364	\$ 58,564	\$ 63,058	\$ 48,978
Interest	139,273	119,293	103,049	122,099	92,589	89,816	88,225	84,198	81,031	59,434
Assumption changes	-	-	-	-	(56,064)	-	-	-	106,024	236,289
Changes in benefit terms	-	-	-	-	536,508	-	-	3,238	-	-
Differences between expected and actual experience	(56,118)	101,638	64,016	(430,069)	(169,822)	(21,648)	(54,549)	(24,915)	(148,383)	106,809
Benefit payments, including refunds of employee contributions	(48,479)	(44,148)	(46,523)	(43,772)	(47,305)	(120,237)	(55,845)	(54,472)	(53,039)	(156,713)
Net change in total pension liability	147,952	287,651	199,634	(282,636)	442,736	(7,064)	29,195	66,613	48,691	294,797
Total pension liability – beginning	1,910,655	1,623,004	1,423,370	1,706,006	1,263,270	1,270,334	1,241,139	1,174,526	1,125,835	831,038
Total pension liability – ending (a)	<u>\$ 2,058,607</u>	<u>\$ 1,910,655</u>	<u>\$ 1,623,004</u>	<u>\$ 1,423,370</u>	<u>\$ 1,706,006</u>	<u>\$ 1,263,270</u>	<u>\$ 1,270,334</u>	<u>\$ 1,241,139</u>	<u>\$ 1,174,526</u>	<u>\$ 1,125,835</u>
<b>Total Fiduciary Net Position</b>										
Contributions – employer/state	\$ 57,989	\$ 88,449	\$ 46,800	\$ -	\$ -	\$ -	\$ 16,324	\$ 30,815	\$ 35,973	\$ 33,151
Contributions – employee	33,109	33,431	29,253	21,932	29,805	4,884	5,918	5,119	5,981	5,521
Net investment income (loss)	185,743	349,231	139,599	(253,977)	303,970	96,051	74,688	110,343	178,460	100,567
Benefit payments, including refunds of employee contributions	(48,479)	(44,148)	(46,523)	(49,667)	(47,306)	(120,237)	(55,845)	(54,472)	(53,039)	(156,713)
Administrative expense	(5,821)	(11,951)	(11,568)	(8,125)	-	-	-	(7,975)	(7,075)	(8,087)
Net change in plan fiduciary net position	222,541	415,012	157,561	(289,837)	286,469	(19,302)	41,085	83,830	160,300	(25,561)
Plan fiduciary net position – beginning	2,198,683	1,783,671	1,626,110	1,915,947	1,629,478	1,648,780	1,607,695	1,523,865	1,363,565	1,389,126
Plan fiduciary net position – ending (b)	<u>\$ 2,421,224</u>	<u>\$ 2,198,683</u>	<u>\$ 1,783,671</u>	<u>\$ 1,626,110</u>	<u>\$ 1,915,947</u>	<u>\$ 1,629,478</u>	<u>\$ 1,648,780</u>	<u>\$ 1,607,695</u>	<u>\$ 1,523,865</u>	<u>\$ 1,363,565</u>
<b>Net pension liability (asset) – ending (a) - (b)</b>	<u>\$ (362,617)</u>	<u>\$ (288,028)</u>	<u>\$ (160,667)</u>	<u>\$ (202,740)</u>	<u>\$ (209,941)</u>	<u>\$ (366,208)</u>	<u>\$ (378,446)</u>	<u>\$ (366,556)</u>	<u>\$ (349,339)</u>	<u>\$ (237,730)</u>
Plan fiduciary net position as percentage of total pension liability	117.61%	115.07%	109.90%	114.24%	112.31%	128.99%	129.79%	129.53%	129.74%	121.12%
Covered payroll	\$ 566,504	\$ 593,800	\$ 463,755	\$ 450,027	\$ 517,081	\$ 454,066	\$ 512,265	\$ 564,733	\$ 620,486	\$ 510,322
Net pension liability as a percentage of covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Measurement date	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016

**CITY OF FROSTPROOF, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
GENERAL EMPLOYEES' PENSION TRUST FUND  
SEPTEMBER 30, 2025**

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Excess (Deficiency)	Covered Payroll	Contributions as Percentage of Employee Payroll
2025	\$ 57,989	\$ 57,989	-	\$ 566,504	10.24%
2024	88,449	88,449	-	593,800	14.90%
2023	61,023	46,800	(14,223)	463,755	10.09%
2022	-	-	-	450,027	0.00%
2021	110,960	-	(110,960)	517,081	0.00%
2020	15,540	-	(15,540)	454,066	0.00%
2019	27,457	16,324	(11,133)	515,265	3.17%
2018	34,117	30,801	(3,316)	564,733	5.45%
2017	40,788	35,973	(4,815)	620,486	5.80%
2016	27,165	33,151	5,986	510,322	6.50%

**Notes to Schedule:**

Valuation Date: October 1, 2024

Actuarial Assumptions

Discount Rate: 7.0% per annum (2.62% per annum is attributable to long-term inflation)

Salary Increases: 5.50% per annum, plus average earnings are loaded by 2.50% to account for accumulated leave payments upon termination of employment

Cost-of-living Increases: None assumed.

Mortality: Pre-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Employee Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year; post-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Healthy Retiree Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year.

Retirement Age: 20% of eligible participants are assumed to retire at age 62, 10% of eligible participants are assumed to retire at each of ages 63 and 64, and 100% of eligible participants are assumed to retire at age 65.

Other decrements: With respect to participants with less than seven years of service, termination rates are service-based and range from 8.70% with less than one year of service to 6.00% with between six and seven years of service; with respect to all other participants, termination rates are age-based and range from 5.40% at age 20 to 0.00% at age 60.

Non-investment expenses: Projected benefit liability is loaded by 4.50% to account for anticipated administrative expenses.

**CITY OF FROSTPROOF, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS  
 GENERAL EMPLOYEES' PENSION TRUST FUND  
 SEPTEMBER 30, 2025**

<b>For the Year Ending</b>	<b>Annual Money- Weighted Rate of Return</b>
9/30/2025	8.38%
9/30/2024	19.22%
9/30/2023	8.54%
9/30/2022	-13.22%
9/30/2021	19.51%
9/30/2020	6.79%
9/30/2019	5.38%
9/30/2018	7.52%
9/30/2017	13.40%
9/30/2016	7.80%

**CITY OF FROSTPROOF, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE OFFICERS' PENSION TRUST FUND**  
**SEPTEMBER 30, 2025**

Fiscal Year Ended September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 13,672	\$ 13,135	\$ 11,966	\$ 11,009	\$ 10,689	\$ 21,940
Interest	338,974	337,077	334,650	331,040	332,795	338,970	331,768	329,312	310,266	305,548
Change in excess State money	-	-	-	-	-	-	-	-	-	(9,046)
Differences between expected and actual experience	38,045	36,822	35,400	45,499	14,833	(46,501)	26,080	(49,778)	100,093	47,532
Assumption changes	88,838	-	-	-	304,724	(110,337)	118,271	112,600	132,130	(95,096)
Benefit payments, including refunds of employee contributions	(348,607)	(340,831)	(324,594)	(317,381)	(309,928)	(258,098)	(251,328)	(241,433)	(238,987)	(172,544)
Net change in total pension liability	117,250	33,068	45,456	59,158	356,096	(62,831)	236,757	161,710	314,191	98,334
Total pension liability – beginning	5,389,288	5,356,220	5,310,764	5,251,606	4,895,510	4,958,341	4,721,584	4,559,874	4,245,683	4,147,349
Total pension liability – ending (a)	<u>\$ 5,506,538</u>	<u>\$ 5,389,288</u>	<u>\$ 5,356,220</u>	<u>\$ 5,310,764</u>	<u>\$ 5,251,606</u>	<u>\$ 4,895,510</u>	<u>\$ 4,958,341</u>	<u>\$ 4,721,584</u>	<u>\$ 4,559,874</u>	<u>\$ 4,245,683</u>
<b>Total Fiduciary Net Position</b>										
Contributions – employer	\$ 84,021	\$ 68,479	\$ 53,373	\$ 87,204	\$ 88,594	\$ 124,352	\$ 146,650	\$ 116,898	\$ 112,042	\$ 124,057
Contributions – state	42,846	36,052	-	31,970	26,963	28,570	27,130	25,010	23,803	21,765
Contributions – employee	-	-	-	-	224	754	708	656	646	1,262
Contributions – others	-	-	-	-	-	-	-	16,000	14,692	-
Net investment income (loss)	338,072	693,576	403,963	(728,040)	795,758	186,373	115,702	327,756	345,650	331,941
Benefit payments, including refunds of employee contributions	(348,607)	(340,831)	(324,594)	(317,382)	(309,928)	(258,098)	(251,328)	(241,433)	(238,987)	(172,543)
Administrative expense	(27,971)	(25,975)	(30,026)	(22,375)	(25,071)	(21,647)	(26,054)	(18,776)	(21,771)	(22,547)
Net change in plan fiduciary net position	88,361	431,301	102,716	(948,623)	576,540	60,304	12,808	226,111	236,075	283,935
Plan fiduciary net position – beginning	4,500,213	4,068,912	3,966,196	4,914,819	4,338,279	4,277,975	4,265,167	4,039,056	3,802,981	3,519,046
Plan fiduciary net position – ending (b)	<u>\$ 4,588,574</u>	<u>\$ 4,500,213</u>	<u>\$ 4,068,912</u>	<u>\$ 3,966,196</u>	<u>\$ 4,914,819</u>	<u>\$ 4,338,279</u>	<u>\$ 4,277,975</u>	<u>\$ 4,265,167</u>	<u>\$ 4,039,056</u>	<u>\$ 3,802,981</u>
<b>Net pension liability (asset) – ending (a) - (b)</b>	<u>\$ 917,964</u>	<u>\$ 889,075</u>	<u>\$ 1,287,308</u>	<u>\$ 1,344,568</u>	<u>\$ 336,787</u>	<u>\$ 557,231</u>	<u>\$ 680,366</u>	<u>\$ 456,417</u>	<u>\$ 520,818</u>	<u>\$ 442,702</u>
Plan fiduciary net position as percentage of total pension liability	83.33%	83.50%	75.97%	74.68%	93.59%	88.62%	86.28%	90.33%	88.58%	89.57%
Covered payroll	N/A	N/A	N/A	N/A	\$ 22,444	\$ 75,436	\$ 70,847	\$ 65,605	\$ 64,601	\$ 126,208
Net pension liability as a percentage of covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	1500.57%	738.68%	960.33%	695.70%	806.21%	350.77%
Measurement date	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016

**CITY OF FROSTPROOF, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS' PENSION TRUST FUND  
SEPTEMBER 30, 2025**

<u>Fiscal Year</u>	<u>Actuarially Determined Contributions (ADC)</u>	<u>Contributions in Relation to ADC</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Payroll</u>	<u>Contributions as Percentage of Employee Payroll</u>
2025	\$ 126,867	\$ 126,867	-	N/A	N/A
2024	104,531	104,531	-	N/A	N/A
2023	79,609	53,373	(26,236)	N/A	N/A
2022	92,938	119,174	26,236	N/A	N/A
2021	120,862	115,557	(5,305)	\$ 22,444	514.87%
2020	165,168	152,922	(12,246)	75,436	202.72%
2019	164,149	173,780	9,631	70,847	245.29%
2018	149,988	157,908	7,920	65,605	240.70%
2017	150,536	150,536	-	64,601	233.02%
2016	154,869	154,869	-	126,208	122.71%

**Notes to Schedule:**

Valuation Date: October 1, 2023

Actuarial Assumptions

Discount Rate: 6.50% per annum

Salary Increases: N/A - No remaining active members

Cost-of-living Increases: Up to 3% annually after normal retirement age

Mortality: *Healthy Retiree Lives:*

**Female:** PubS.H-2010 for Healthy Retirees, set forward one year.

**Male:** PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

*Beneficiary Lives:*

**Female:** PubG.H-2010 (Below Median) for Healthy Retirees.

**Male:** PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

All rates for healthy lives are projected generationally with Mortality Improvement Scale MP-2018.

Retirement Age: N/A - No remaining active members

**CITY OF FROSTPROOF, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS  
 POLICE OFFICERS' PENSION TRUST FUND  
 SEPTEMBER 30, 2025**

<b>For the Year Ending</b>	<b>Annual Money- Weighted Rate of Return</b>
9/30/2025	7.78%
9/30/2024	17.70%
9/30/2023	10.68%
9/30/2022	-15.78%
9/30/2021	18.98%
9/30/2020	4.47%
9/30/2019	2.78%
9/30/2018	8.32%
9/30/2017	9.35%
9/30/2016	9.48%

**SUPPLEMENTARY INFORMATION**

**CITY OF FROSTPROOF, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2025**

	<u>Impact Fees Special Revenue Fund</u>	<u>Latt Maxcy Memorial Library Special Revenue Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 645,105	\$ 31,113	\$ 676,218
<b>Total assets</b>	<u>\$ 645,105</u>	<u>\$ 31,113</u>	<u>\$ 676,218</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 401	\$ 401
<b>Total liabilities</b>	<u>-</u>	<u>401</u>	<u>401</u>
<b>FUND BALANCES</b>			
Restricted for:			
Capital improvements	645,105	-	645,105
Cultural activities	-	30,712	30,712
<b>Total fund balances</b>	<u>645,105</u>	<u>30,712</u>	<u>675,817</u>
<b>Total liabilities and fund balances</b>	<u>\$ 645,105</u>	<u>\$ 31,113</u>	<u>\$ 676,218</u>

**CITY OF FROSTPROOF, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>Impact Fees Special Revenue Fund</u>	<u>Latt Maxcy Memorial Library Special Revenue Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Licenses, permits, and assessments	\$ 103,947	\$ -	\$ 103,947
Miscellaneous	-	3,960	3,960
<b>Total revenues</b>	<u>103,947</u>	<u>3,960</u>	<u>107,907</u>
<b>Expenditures</b>			
Current:			
Culture and recreation	-	2,219	2,219
<b>Total expenditures</b>	<u>-</u>	<u>2,219</u>	<u>2,219</u>
<b>Net change in fund balances</b>	<u>103,947</u>	<u>1,741</u>	<u>105,688</u>
<b>Fund balances, beginning of year</b>	541,158	28,971	570,129
<b>Fund balances, end of year</b>	<u>\$ 645,105</u>	<u>\$ 30,712</u>	<u>\$ 675,817</u>

**CITY OF FROSTPROOF, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

State Agency Pass-Through Entity State Project	CSFA Number	Contract / Grant Number	Expenditures
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>Florida Department of Environmental Protection</b>			
Direct:			
Statewide Water Quality Restoration Projects	37.039	LPA0293 / 0254Y	\$ 549,997
Statewide Water Quality Restoration Projects	37.039	LPA0526 / 0582Y	799,569
Passed through Polk Regional Water Cooperative:			
Statewide Water Quality Restoration Projects	37.039	LPA0212 / 0258Y	106,778
Total Statewide Water Quality Restoration Projects			<u>1,456,344</u>
<b>Total Florida Department of Environmental Protection</b>			<u>1,456,344</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><u>\$ 1,456,344</u></u>

The accompanying notes to the schedule of expenditures of state financial assistance are an integral part of this statement.

**CITY OF FROSTPROOF, FLORIDA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of state financial assistance includes the state financial assistance activity of the City, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes, and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles set forth by the State of Florida, including guidance provided by the awarding state agencies, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

During the year ended September 30, 2025, the City provided no awards to subrecipients.

(3) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable state laws and regulations.

**CITY OF FROSTPROOF, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

**Part A - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Non-compliance material to financial statements noted?	No

**State Financial Assistance Projects**

Internal Control Over Major Projects:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of Auditor's Report Issued on Compliance for Major Projects	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557 for local government entities?	No

**Identification of Major Projects:**

**State Financial Assistance Projects**

<b>Florida Department of Environmental Protection</b> Statewide Water Quality Restoration Projects	CSFA No. 37.039
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Dollar threshold used to distinguish between Type A and Type B programs - State Programs:	\$436,903
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**PART B - FINDINGS - FINANCIAL STATEMENT AUDIT**

■ **2025-01 – Recordkeeping of Impact Fees (Material Weakness)**

**Condition** – During testing of building permit revenues, it was noted that the City was improperly recording water and sewer impact fees in the General Fund rather than the Enterprise Fund. This was due to the accounting system misclassifying them as building permits and no secondary review of building permit revenues taking place to ensure all revenues were classified correctly.

**CITY OF FROSTPROOF, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

**Effect** – The current year and prior year financial statements required significant adjustments to reduce General Fund revenues and beginning fund balance in the amounts of \$82,500 and \$159,375, respectively. Corresponding adjustments were required to be made to increase current year revenues and beginning net position for the Enterprise Fund in order to properly record those impact fees.

**Recommendation** – We recommend management establishes a formal review process over building permit and impact fee revenues, particularly at year-end, to ensure all transactions are recorded in the appropriate funds and accounts.

■ **2025-02 – Maintaining Custodial Fund Records (Material Weakness)**

**Condition** – During testing of custodial fund collections and remittances, it was noted that the City was improperly overstating both receipts and disbursements in the fund. These line items were overstated as a result of the records containing transactions that were previously recognized in the 2024 financial statements.

**Effect** – The current year financial statements required a significant adjustment to reduce Custodial Fund collections and remittances by \$197,105.

**Recommendation** – We recommend management establishes a formal review process over custodial fund collections and remittances throughout the year to ensure no transactions are being duplicated.

**PART C - OTHER ISSUES**

No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.

No corrective action plan is required because there were no current year findings required to be reported under the *Florida Single Audit Act*.

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

The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

**Report on Compliance for Each Major State Project**

***Opinion on Each Major State Project***

We have audited the City of Frostproof, Florida’s (the City) compliance with the types of compliance requirements described in the Florida Department of Financial Services’ *State Projects Compliance Supplement* that could have a direct and material effect on each of the City’s major state projects for the year ended September 30, 2025. The City’s major state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2025.

***Basis for Opinion on Each Major State Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, *Rules of the Auditor General* (Chapter 10.550). Our responsibilities under those standards and Chapter 10.550 are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state project. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City’s state projects.

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The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550 will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable

The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

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

possibility that material non-compliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Purvis Gray*

May 1, 2026  
Sarasota, Florida

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

The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frostproof, Florida (the City), as of and for the year ended September 30, 2025, 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 1, 2026.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-01 and 2025-02, that we consider to be material weaknesses.

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The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

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

**Report on Compliance and Other Matters**

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

**City's Response to Finding**

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

**Purpose of this Report**

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

*Purvis Gray*

May 1, 2026  
Sarasota, Florida

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES - INVESTMENTS OF PUBLIC FUNDS**

The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

We have examined the City of Frostproof, Florida's (the City) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2025. City management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2025.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, the Honorable Mayor and Members of the City Commission, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Purvis Gray*

May 1, 2026  
Sarasota, Florida

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## MANAGEMENT LETTER

The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Frostproof, Florida (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated May 1, 2026.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with American Institute of Certified Public Accountants *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 1, 2026, 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 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. The City has disclosed this information in the notes to the financial statements.

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The Honorable Mayor and  
Members of the City Commission  
City of Frostproof  
Frostproof, Florida

## MANAGEMENT LETTER

### **Financial Condition and Management**

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

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

### **Property Assessed Clean Energy (PACE) Programs**

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the City must state whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the City's geographical boundaries during the fiscal year under audit. Management has stated that a PACE program did not operate within the City's geographical boundaries during the fiscal year under audit.

### **Additional Matters**

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred or is likely to have occurred, that has 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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor, members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis Gray*

May 1, 2026  
Sarasota, Florida



## MANAGEMENT'S RESPONSE TO FINDINGS

May 1, 2026

Honorable Members of the City Council  
City of Frostproof  
111 West 1<sup>st</sup> Street  
Frostproof, FL 33843

Dear Members of the City Council:

We have received the management letter prepared by our independent auditors, as well as the Schedule of Findings and Questioned Costs as required by the Florida Single Audit Act (Section 215.97, Florida Statutes) and the rules of the Florida Auditor General. We appreciate the auditors' efforts to provide their findings and observations, which will help us improve our financial and operational practices. Management has reviewed the findings, and we are committed to addressing them in a timely and effective manner. Below, we provide our responses to the specific findings included in the Schedule of Findings and Questioned Costs:

1. **Finding 2025-01 – Recordkeeping of Impact Fees**

Proper procedures for recording of impact fee revenues to the appropriate fund will be reviewed internally to ensure transactions are being coded to the proper fund and general ledger account.

2. **Finding 2025-02 – Maintaining Custodial Fund Records**

This issue related to the carryover of prior year delays in remitting funds to a third party and will inherently be corrected going forward.

We take our fiscal responsibilities seriously and are committed to ensuring that the City's financial practices align with the highest standards of accountability and transparency. Management will continue to work closely with the auditors and City Council to implement all necessary improvements.

Should you have any questions or require additional information regarding our responses, please do not hesitate to contact us.

Sincerely,

A handwritten signature in blue ink that reads "Nicole McDowell". The signature is written in a cursive, flowing style.

Nicole McDowell  
City Manager