

2025

Polk City, Florida

Financial Statements and
Independent Auditor's Report

September 30, 2025

POLK CITY, FLORIDA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT

SEPTEMBER 30, 2025

TABLE OF CONTENTS

Financial Section

Independent Auditor’s Report.....	1-3
Management’s Discussion and Analysis.....	4-10

Basic Financial Statements

Government-Wide Statements:

Statement of Net Position	11
Statement of Activities.....	12

Governmental Funds:

Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	16

Proprietary Funds:

Statement of Net Position – Proprietary Funds.....	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19

Fiduciary Funds:

Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	21

Notes to Financial Statements.....	22-48
------------------------------------	-------

Required Supplementary Information

Budgetary Comparison Schedule – General Fund (Unaudited).....	49
Budgetary Comparison Schedule – Special Revenue Fund – Impact Fees (Unaudited).....	50
Schedule of the City’s Proportionate Share of the Net Pension Liability and Schedule of the City’s Contributions – Florida Retirement System Pension Plan.....	51-52
Schedule of the City’s Proportionate Share of the Net Pension Liability and Schedule of the City’s Contributions – Health Insurance Subsidy Pension Plan.....	53-54
Notes to the Schedules of the City’s Proportionate Share of the Net Pension Liability and Schedules of the City’s Contributions – Florida Retirement System Pension Plan and Health Insurance Subsidy Pension Plan	55
Schedule of Changes in the Total OPEB Liability and Related Ratios	56

POLK CITY, FLORIDA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT

SEPTEMBER 30, 2025

TABLE OF CONTENTS

Other Reports

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Independent Accountant’s Report on Compliance with Florida Statute Section 218.415 – Investments of Public Funds.....	59
Management Letter	60-61
Management’s Response Letter	62

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Commission
Polk City, 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 Polk City, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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, pension and other postemployment benefits related information, as listed in the table of contents (collectively, the "required supplementary 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.

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

INDEPENDENT AUDITOR'S REPORT

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 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 22, 2026
Sarasota, Florida

**POLK CITY, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

As management of Polk City, Florida (the City), we offer readers of the City’s financial statements this narrative overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the City’s financial statements beginning on page 11.

Financial Highlights

- The assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$19,505,774 as of September 30, 2025.
- For the year ended September 30, 2025, the governmental activities increased the net position of the City by \$521,873 and the business-type activities increased the net position of the City by \$51,280 for an overall increase in net position of \$573,153.
- The City’s cash and cash equivalents totaled \$8,957,741, a decrease of \$513,217 (5.42%) over the prior year cash and cash equivalents.
- As of the close of the current fiscal year, the City’s general fund (governmental fund level) reported an ending fund balance of \$5,522,179, an increase of \$308,765 in comparison with the prior year. As of September 30, 2025, the City’s unassigned and assigned fund balance totaled \$5,085,270 and is available for spending at the government’s discretion.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. The focus of the *Statement of Net Position* (the “unrestricted net position”) is designed to be like bottom line results for the City and its governmental and business-type activities.

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

POLK CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

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

Financial Fund Statements

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

Governmental Funds - Governmental funds are used to account for 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. The basic governmental funds financial statements can be found by referring to the table of contents.

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

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

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

Notes to the Financial Statements

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

**POLK CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Other Information

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

Government-Wide Financial Analysis

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2025	2024	2025	2024	2025
Assets						
Current and Other Assets	\$ 6,957,675	\$ 7,351,468	\$ 8,152,596	\$ 7,504,815	\$ 15,110,271	\$ 14,856,283
Capital Assets	2,989,748	2,990,820	13,970,926	13,499,233	16,960,674	16,490,053
Total Assets	9,947,423	10,342,288	22,123,522	21,004,048	32,070,945	31,346,336
Deferred Outflow of Resources	281,234	251,389	640,181	575,767	921,415	827,156
Liabilities						
Long-Term Liabilities Outstanding	2,016,872	1,839,736	9,869,578	9,338,842	11,886,450	11,178,578
Other Liabilities	284,890	228,521	1,735,842	997,741	2,020,732	1,226,262
Total Liabilities	2,301,762	2,068,257	11,605,420	10,336,583	13,907,182	12,404,840
Deferred Inflow of Resources	106,467	183,119	46,090	79,759	152,557	262,878
Net Position						
Net Invested in Capital Assets	2,106,883	2,204,006	5,089,059	5,066,148	7,195,942	7,270,154
Restricted	1,827,015	2,037,677	3,002,998	3,280,342	4,830,013	5,318,019
Unrestricted	3,886,530	4,100,618	3,020,136	2,816,983	6,906,666	6,917,601
Total Net Position	\$ 7,820,428	\$ 8,342,301	\$ 11,112,193	\$ 11,163,473	\$ 18,932,621	\$ 19,505,774

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

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

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

**POLK CITY, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

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

**Statement of Activities (Summary)
as of September 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2025	2024	2025	2024	2025
Revenues						
Program Revenues:						
Charges for Services	\$ 820,275	\$ 996,720	\$ 2,745,759	\$ 2,874,184	\$ 3,566,034	\$ 3,870,904
Operating Grants and Contributions	133,385	76,575	-	-	133,385	76,575
Capital Grants and Contributions	15,113	80,377	185,771	870,402	200,884	950,779
General Revenues:						
Property Taxes	1,338,951	1,419,360	-	-	1,338,951	1,419,360
Franchise/Public Service Tax	567,012	581,151	-	-	567,012	581,151
State Shared Revenues	363,586	357,216	-	-	363,586	357,216
Fuel Taxes Levied for Transportation	191,676	198,419	-	-	191,676	198,419
Investment Earnings	142,007	123,166	152,867	133,499	294,874	256,665
Other	15,627	25,507	(3,243)	16,522	12,384	42,029
Total Revenues	3,587,632	3,858,491	3,081,154	3,894,607	6,668,786	7,753,098
Expenses						
General Government	1,021,864	1,196,554	-	-	1,021,864	1,196,554
Library	181,534	183,341	-	-	181,534	183,341
Law Enforcement	199,202	199,355	-	-	199,202	199,355
Building and Zoning	261,053	384,433	-	-	261,053	384,433
Code Enforcement	57,379	51,123	-	-	57,379	51,123
Public Works Administration	196,427	165,347	-	-	196,427	165,347
Sanitation	419,024	413,249	-	-	419,024	413,249
Streets	482,016	533,996	-	-	482,016	533,996
Parks and Recreation	72,159	75,926	-	-	72,159	75,926
Stormwater	40,099	94,013	-	-	40,099	94,013
Interest on Long-Term Debt	32,659	39,281	-	-	32,659	39,281
Public Utilities	-	-	2,788,639	3,843,327	2,788,639	3,843,327
Total Expenses	2,963,416	3,336,618	2,788,639	3,843,327	5,752,055	7,179,945
Increase in Net Position	624,216	521,873	292,515	51,280	916,731	573,153
Net Position - October 1	7,196,212	7,820,428	10,819,678	11,112,193	18,015,890	18,932,621
Net Position - September 30	\$ 7,820,428	\$ 8,342,301	\$ 11,112,193	\$ 11,163,473	\$ 18,932,621	\$ 19,505,774

Governmental Activities – Governmental activities increased the City’s net position by \$521,873. In the prior year, net position increased by \$624,216 because of operations. Total revenue for the year ended September 30, 2025, increased by \$270,859 or 7.55% and expenses increased by \$373,202 or 12.59%.

Significant Items Experienced in FY 2025 – Governmental Activities

1. A Community Development Block Grant (CDBG) Project moved to FY 2026 due to cost increase of the project and possibly receiving additional funds.
2. Permit Fee revenue increased due to the new subdivision starting construction at The Landings of Mt. Olive.
3. An Engineer was hired to design a plan to help relieve flooding in the Orangewood neighborhood.
4. A Lobbyist was hired to assist in obtaining funds to help the City with projects.
5. The General Fund split costs with the Enterprise Fund to purchase some much-needed equipment.

**POLK CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Business-Type Activities - Business-type activities increased the City's net position by \$51,280 because of operations compared to an increase of \$292,515 in the prior year. Total revenue for the year ended September 30, 2025, increased by \$813,453 or 26.40% and expenses increased by \$1,054,688 or 37.82%.

Significant Items Experienced in FY 2025 – Business-Type Activities

1. The City is under a Department of Environmental Protection Consent Order to make improvements, repairs, and/or replacement of items related to the wastewater system.
2. Raftelis was contracted to complete a rate study for water/sewer and capital connection fees to ensure the City is complying with the Bond Covenant and has funds to complete the required Department of Environmental Protection items.
3. The Department of Environmental Protection consent order project was completed for the I-4 Ribs.
4. A Lobbyist was hired to assist in obtaining funds to help the City with projects.
5. The General Fund split costs with the Enterprise Fund to purchase some much-needed equipment.

Fund Level Financial Analysis

Governmental Funds - As of September 30, 2025, the City's governmental fund reported combined ending fund balances of \$7,122,947. This is an increase of \$450,162 over the prior year ending fund balances of \$6,672,785. The main causes of the increase are as follows:

- Total revenue increased by \$270,859 or 7.55% due to an increase in taxes, licenses and permits, and impact fees. Taxes increased by \$100,925, licenses and permits increased by \$217,700, and impact fees increased by \$62,264 over the prior fiscal year.
- Total expenditure increased by \$462,728 or 15.71% due to an increase in general government expenses of \$190,709 and public safety expenses of \$132,784.

Proprietary Funds - Operating income (loss) totaled \$(641,017) compared to the prior year's operating income of \$298,386, a decrease of \$939,403 or 314.83%.

The operating expenses increased by \$1,067,790 or 43.63% due to the increase in operating expenses.

General Fund Budgetary Highlights - The City adopts an annual appropriated budget each year in September. Budgetary comparison statements have been provided to demonstrate compliance with the budget, which can be found by referencing the table of contents. Budget comparison reporting is included for the General Fund. Actual revenue was more than the final budgeted amounts by \$278,916, and actual expenditures were less than final budgeted appropriations by \$174,468. The original budget was not amended during the year or within the allowable sixty days after the end of the fiscal year.

Overall, the Fiscal Year 2025 Budget had a positive impact on the City's financial picture for the General Fund and Enterprise Fund.

**POLK CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

	Capital Assets Activity as of September 30,					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2025	2024	2025	2024	2025
Assets Not Depreciated						
Land	\$ 412,542	\$ 412,542	\$ 2,762,913	\$ 2,762,913	\$ 3,175,455	\$ 3,175,455
Construction in Progress	154,542	192,604	116,940	121,259	271,482	313,863
Total	567,084	605,146	2,879,853	2,884,172	3,446,937	3,489,318
Depreciated Assets						
Buildings and Improvements	3,538,466	3,542,571	-	-	3,538,466	3,542,571
Recreational Facilities	503,467	515,480	-	-	503,467	515,480
Vehicles and Equipment	734,449	826,440	982,603	1,013,466	1,717,052	1,839,906
Right-to-Use Leased Assets	23,987	23,987	9,973	9,973	33,960	33,960
Infrastructure	205,009	205,009	-	-	205,009	205,009
Utility Plants	-	-	16,649,005	16,683,395	16,649,005	16,683,395
Subtotal	5,005,378	5,113,487	17,641,581	17,706,834	22,646,959	22,820,321
Accumulated Depreciation	(2,582,714)	(2,727,813)	(6,550,508)	(7,091,773)	(9,133,222)	(9,819,586)
Total	\$ 2,422,664	\$ 2,385,674	\$ 11,091,073	\$ 10,615,061	\$ 13,513,737	\$ 13,000,735

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to \$16,490,053 (net of accumulated depreciation) compared to \$16,960,674 last year. That is a decrease of \$470,621 from the prior year.

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

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

	Revenue Notes and Notes Payable as of September 30,					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2025	2024	2025	2024	2025
Revenue Notes	\$ -	\$ -	\$ 7,240,807	\$ 6,911,991	\$ 7,240,807	\$ 6,911,991
Notes Payable	866,626	775,265	2,152,881	1,982,715	3,019,507	2,757,980
Total	\$ 866,626	\$ 775,265	\$ 9,393,688	\$ 8,894,706	\$ 10,260,314	\$ 9,669,971

**POLK CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

The Governmental Activities had a total debt outstanding of \$775,265 which compares to \$866,626 in the prior year. This consists of the Citizens Bank and Trust Installment Note for the refunding of the Series 2007 Capital Improvement Revenue Bonds for the construction of the Polk City Government Center.

The Business-Type Activities had total debt outstanding of \$8,894,706, which compared to \$9,393,688 in the prior year. This consists of the Series 2017 Water/Sewer System Refunding Revenue Bond and the installment notes to the Florida Department of Environmental Protection.

Additional information on the City's long-term debt can be found in Note 7 of the notes to the financial statements in this report.

Economic Factors and Next Year's Budget and Rates

1. The City remained at 5.2500 Ad Valorem rate for FY 2026.
2. The new subdivision continues to build houses in phase one and is in the planning stages for phase two.
3. A Payroll Step plan was adopted and implemented.
4. Purchase of new playground equipment to replace the old equipment for Freedom Park.
5. City Hall needs major repairs and mold remediation due to water damage throughout the building.
6. The Commission voted to increase Water/Sewer rates by 17% effective date of May 1, 2026 and 17% on October 1, 2026, per the rate study recommendations.
7. The General Fund split costs with the Enterprise Fund to purchase some much-needed equipment.

Request for Information

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

BASIC FINANCIAL STATEMENTS

POLK CITY, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 6,479,739	\$ 2,273,534	\$ 8,753,273
Receivables, Current:			
Customer Accounts, Net	112,897	266,833	379,730
Intergovernmental	57,525	-	57,525
Franchise and Public Service Taxes	59,930	-	59,930
Prepaid Expenses	-	21,504	21,504
Restricted Assets:			
Cash and Cash Equivalents	641,377	4,942,944	5,584,321
Capital Assets:			
Non-Depreciable	605,146	2,884,172	3,489,318
Depreciable, Net	2,385,674	10,615,061	13,000,735
Total Assets	<u>10,342,288</u>	<u>21,004,048</u>	<u>31,346,336</u>
Deferred Outflows of Resources			
Pensions	251,389	109,494	360,883
Deferred Charge on Bond Refunding	-	466,273	466,273
Total Deferred Outflows of Resources	<u>251,389</u>	<u>575,767</u>	<u>827,156</u>
Liabilities			
Accounts Payable	10,357	7,092	17,449
Accrued Payroll	58,226	19,353	77,579
Accrued Interest Payable	-	44,621	44,621
Unearned Revenue	-	551,194	551,194
Due to Other Governments	1,478	-	1,478
Customer Deposits	158,460	375,481	533,941
Long-Term Liabilities:			
Due Within One Year	99,539	475,739	575,278
Due in More Than One Year	1,740,197	8,863,103	10,603,300
Total Liabilities	<u>2,068,257</u>	<u>10,336,583</u>	<u>12,404,840</u>
Deferred Inflows of Resources			
Pensions	183,119	79,759	262,878
Total Deferred Inflows of Resources	<u>183,119</u>	<u>79,759</u>	<u>262,878</u>
Net Position			
Net Investment in Capital Assets	2,204,006	5,066,148	7,270,154
Restricted for:			
Transportation Infrastructure	436,909	-	436,909
General Government Facilities	616,532	-	616,532
Law Enforcement	283,715	-	283,715
Fire/Rescue	175,893	-	175,893
Parks and Recreation Capital Improvements	524,628	-	524,628
Water System Improvements	-	518,217	518,217
Waste Water System Improvements	-	2,494,072	2,494,072
Debt Service	-	268,053	268,053
Unrestricted	4,100,618	2,816,983	6,917,601
Total Net Position	<u>\$ 8,342,301</u>	<u>\$ 11,163,473</u>	<u>\$ 19,505,774</u>

See accompanying notes to financial statements.

POLK CITY, FLORIDA
GOVERNMENT-WIDE 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
Primary Government:							
Governmental Activities:							
General Government	\$ 1,196,554	\$ 31,467	\$ 22,745	\$ 38,019	\$ (1,104,323)	\$ -	\$ (1,104,323)
Library	183,341	3,865	53,830	-	(125,646)	-	(125,646)
Law Enforcement	199,355	6,491	-	14,029	(178,835)	-	(178,835)
Fire/Rescue	-	-	-	7,506	7,506	-	7,506
Building and Zoning	384,433	311,133	-	-	(73,300)	-	(73,300)
Code Enforcement	51,123	5,033	-	-	(46,090)	-	(46,090)
Public Works Administration	165,347	-	-	-	(165,347)	-	(165,347)
Sanitation	413,249	569,258	-	-	156,009	-	156,009
Streets	533,996	18,036	-	-	(515,960)	-	(515,960)
Parks and Recreation	75,926	14,300	-	20,823	(40,803)	-	(40,803)
Stormwater Utility	94,013	37,137	-	-	(56,876)	-	(56,876)
Interest on Long-Term Debt	39,281	-	-	-	(39,281)	-	(39,281)
Total Governmental Activities	3,336,618	996,720	76,575	80,377	(2,182,946)	-	(2,182,946)
Business-Type Activities:							
Water and Sewer Utility	3,843,327	2,874,184	-	870,402	-	(98,741)	(98,741)
Total Business-Type Activities	3,843,327	2,874,184	-	870,402	-	(98,741)	(98,741)
Total Primary Government	\$ 7,179,945	\$ 3,870,904	\$ 76,575	\$ 950,779	(2,182,946)	(98,741)	(2,281,687)
General Revenues							
Taxes:							
Property Taxes, Levied for General Purposes					1,419,360	-	1,419,360
Franchise Taxes					166,107	-	166,107
Public Service Taxes					415,044	-	415,044
Fuel Taxes Levied for Transportation					198,419	-	198,419
State Shared Revenue					357,216	-	357,216
Investment Earnings					123,166	133,499	256,665
Miscellaneous					25,507	16,522	42,029
Total General Revenues					2,704,819	150,021	2,854,840
Change in Net Position					521,873	51,280	573,153
Net Position - Beginning of Year					7,820,428	11,112,193	18,932,621
Net Position - End of Year					\$ 8,342,301	\$ 11,163,473	\$ 19,505,774

See accompanying notes to financial statements.

POLK CITY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025

	General Fund	Special Revenue Fund - Impact Fee	Total
Assets			
Cash and Cash Equivalents	\$ 5,083,439	\$ 1,396,300	\$ 6,479,739
Receivables, Net:			
Customer Accounts, Net	112,897	-	112,897
Intergovernmental	57,525	-	57,525
Franchise and Public Service Taxes	59,930	-	59,930
Restricted Assets:			
Cash and Cash Equivalents	436,909	204,468	641,377
Total Assets	<u>\$ 5,750,700</u>	<u>\$ 1,600,768</u>	<u>\$ 7,351,468</u>
Liabilities			
Accounts Payable	\$ 10,357	\$ -	\$ 10,357
Accrued Payroll	58,226	-	58,226
Due to Other Governments	1,478	-	1,478
Customer Deposits	158,460	-	158,460
Total Liabilities	<u>228,521</u>	<u>-</u>	<u>228,521</u>
Fund Balances			
Restricted for:			
Highways/Streets	436,909	-	436,909
General Government Facilities	-	616,532	616,532
Law Enforcement	-	283,715	283,715
Fire/Rescue	-	175,893	175,893
Parks and Recreation	-	524,628	524,628
Assigned to:			
Emergency Reserve	162,925	-	162,925
Unassigned	4,922,345	-	4,922,345
Total Fund Balances	<u>5,522,179</u>	<u>1,600,768</u>	<u>7,122,947</u>
Total Liabilities and Fund Balances	<u>\$ 5,750,700</u>	<u>\$ 1,600,768</u>	<u>\$ 7,351,468</u>

See accompanying notes to financial statements.

POLK CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

Fund Balances - Total Governmental Funds	\$	7,122,947
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets, net of accumulated depreciation, used in governmental activities are financial resources and, therefore, are not reported as assets in the governmental funds.		2,990,820
The deferred outflows and deferred inflows of resources related to pensions are applied to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions		251,389
Deferred inflows of resources related to pensions		(183,119)
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Notes and leases payable		(786,814)
Compensated absences payable		(144,150)
Net pension liability		(859,635)
Other postemployment benefit liability		(49,137)
		(1,839,736)
Net Position of Governmental Activities	\$	8,342,301

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund - Impact Fee	Total
Revenues			
Taxes	\$ 2,214,715	\$ -	\$ 2,214,715
Licenses and Permits	311,333	-	311,333
Intergovernmental Revenue	419,006	-	419,006
Charges for Services	628,296	-	628,296
Fines and Forfeitures	11,524	-	11,524
Impact Fees	-	80,377	80,377
Other	132,219	61,020	193,239
Total Revenues	<u>3,717,093</u>	<u>141,397</u>	<u>3,858,490</u>
Expenditures			
General Government	1,112,969	-	1,112,969
Public Safety	627,260	-	627,260
Physical Environment	665,147	-	665,147
Transportation	517,966	-	517,966
Culture/Recreation	216,037	-	216,037
Capital Outlay	139,155	-	139,155
Debt Service	129,794	-	129,794
Total Expenditures	<u>3,408,328</u>	<u>-</u>	<u>3,408,328</u>
Net Change in Fund Balances	308,765	141,397	450,162
Fund Balances, Beginning of Year	<u>5,213,414</u>	<u>1,459,371</u>	<u>6,672,785</u>
Fund Balances, End of Year	<u>\$ 5,522,179</u>	<u>\$ 1,600,768</u>	<u>\$ 7,122,947</u>

See accompanying notes to financial statements.

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

Net Change in Fund Balances - Total Governmental Funds \$ 450,162

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

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

This is the amount of capital assets additions in the current period	161,456
This is the amount of depreciation recorded in the current period	(155,835)
This is the amount of net property that was disposed of during the current period	(4,549)

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

This amount represents long-term debt repayments	91,361
This amount represents lease payments	4,690
This amount represents the change in compensated absence liability	(33,277)
This amount represents the change in OPEB liability	(12,293)

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

This amount represents the change in deferred outflows of resources related to pensions	(29,846)
This amount represents the change in deferred inflows of resources related to pensions	(76,651)
This amount represents the change in the net pension liability	126,655

Change in Net Position of Governmental Activities \$ 521,873

See accompanying notes to financial statements.

POLK CITY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

	Enterprise Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 2,273,534
Customer Accounts Receivable, Net	266,833
Prepaid Expenses	21,504
Total Current Assets	2,561,871
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	4,942,944
Capital Assets, Net:	
Non-Depreciable	2,884,172
Depreciable, Net	10,615,061
Total Non-Current Assets	18,442,177
Total Assets	21,004,048
Deferred Outflows of Resources	
Pensions	109,494
Deferred Charge on Bond Refunding	466,273
Total Deferred Outflows of Resources	575,767
Liabilities	
Current Liabilities:	
Accounts Payable	7,092
Accrued Payroll	19,353
Bonds, Notes Payable and Leases, Current Portion	475,739
Accrued Interest Payable	44,621
Unearned Revenue	551,194
Total Current Liabilities	1,097,999
Non-Current Liabilities:	
Customer Deposits	375,481
Compensated Absences	36,484
OPEB Liability	28,581
Net Pension Liability	374,419
Bonds, Notes Payable and Leases, Non-Current Portion	8,423,619
Total Non-Current Liabilities	9,238,584
Total Liabilities	10,336,583
Deferred Inflows of Resources	
Pensions	79,759
Total Deferred Inflows of Resources	79,759
Net Position	
Net Investment in Capital Assets	5,066,148
Restricted for:	
Water System Improvements	518,217
Waste Water System Improvements	2,494,072
Debt Service	268,053
Unrestricted	2,816,983
Total Net Position	\$ 11,163,473

See accompanying notes to financial statements.

POLK CITY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Fund
Operating Revenues	
Charges for Services	\$ 2,874,184
Total Operating Revenues	2,874,184
Operating Expenses	
Personnel Services	713,910
Operating Expenses	2,260,027
Depreciation	541,264
Total Operating Expenses	3,515,201
Operating Income (Loss)	(641,017)
Non-Operating Revenues (Expenses)	
Interest Income	133,499
Interest Expense	(328,126)
Other Non-Operating Revenues	16,522
Total Non-Operating Revenues (Expenses)	(178,105)
Income (Loss) Before Contributions	(819,122)
Capital Contributions	
Capital Grants and Contributions	691,306
Impact Fees	179,096
Total Capital Contributions	870,402
Change in Net Position	51,280
Total Net Position, Beginning of Year	11,112,193
Total Net Position, End of Year	\$ 11,163,473

See accompanying notes to financial statements.

POLK CITY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 2,883,684
Payments to Suppliers	(2,310,436)
Payment for Salaries and Benefits	(701,119)
Net Cash Flows from Operating Activities	(127,871)
Cash Flows from Non-Capital Financing Activities	
Other Non-Operating Revenue	16,522
Net Cash Flows from Non-Capital Financing Activities	16,522
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets, Net of Related Payables	(69,572)
Impact Fees	179,097
Principal Paid on Notes, Bonds, and Lease Obligations	(500,941)
Interest Paid on Borrowings	(275,494)
Net Cash Flows from Capital and Related Financing Activities	(666,910)
Cash Flows from Investing Activities	
Interest on Invested Funds	133,499
Net Cash Flows from Investing Activities	133,499
Net (Decrease) in Cash and Cash Equivalents	(644,760)
Cash and Cash Equivalents, Beginning of Year	7,861,238
Cash and Cash Equivalents, End of Year	\$ 7,216,478
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (641,017)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation	541,264
(Increase) Decrease in Accounts Receivable	615
Increase (Decrease) in Accounts Payable	(50,409)
Increase (Decrease) in Accrued Payroll and Compensated Absences	11,363
Increase (Decrease) in OPEB	8,056
(Increase) Decrease in Deferred Outflows of Resources Related to Pension	12,255
Increase (Decrease) in Deferred Inflows of Resources Related to Pension	33,669
Increase (Decrease) in the Net Pension Liability	(52,552)
Increase (Decrease) in Customer Deposits	8,885
Net Cash Flows from Operating Activities	\$ (127,871)

See accompanying notes to financial statements.

POLK CITY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2025

	Custodial Fund
Assets	
Cash and Cash Equivalents	\$ 179,596
Total Assets	179,596
Liabilities	
Due to Other Governments	179,596
Total Liabilities	179,596
Net Position	
Unrestricted	-
Total Net Position	\$ -

See accompanying notes to financial statements.

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

	Custodial Fund
Additions	
Contributions:	
Fees Collected on Behalf of Other Governments	\$ 250,008
Total Additions	250,008
 Deductions	
Remittance of Fees to Other Governments	250,008
Total Deductions	250,008
 Change in Net Position	-
 Total Net Position, Beginning of Year	-
 Total Net Position, End of Year	\$ -

See accompanying notes to financial statements.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Basic Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

fees and charges based on a pricing policy designed to recover similar costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing potable water and sewer collection, treatment, and disposal services to area residents.

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

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

C. Measurement Focus and Basis of Accounting

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

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

All other revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Cash and Cash Equivalents

Includes all short-term highly liquid investments with a maturity of three months or less when purchased, including all bank demand deposits, certificates of deposit, local government investment pool investments reported at amortized cost, and money-market and savings accounts. As of September 30, 2025, all the City's cash and investments met this definition.

Investments

The types of investments in which the City may invest are governed by Section 218.415(17), Florida Statutes. In accordance with Section 218.415(17), Florida 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 agency; interest-bearing time deposits and savings accounts in qualified public depositories or direct obligations of the U.S. Treasury.

Customer Accounts Receivable

The City does not accrue unbilled utility service fees because the consumption readings are taken very near to year-end and any portion of consumption that is not captured in the final billing of the year is not significant. A reserve for doubtful accounts is maintained in each fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2025, the reserve for doubtful accounts totaled \$327 for utility service receivables. Receivables are reported in the financial statements, net of the reserve for doubtful accounts.

Interfund Receivables and Payables

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

Inventories

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

Capital Assets

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

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Type	Years
Utility Plant in Service	40
Buildings and Improvements	10 – 30
Infrastructure	40
Machinery and Equipment	3 – 10
Vehicles	5 – 7
Right-to-Use Lease Equipment	5

Restricted Assets

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

Interest Costs

Interest costs incurred before the end of a construction period are financing activities separate from the related capital asset and interest costs incurred before the end of the construction period are recognized as expenses in the period in which the cost is incurred. These interest costs are not capitalized as part of the historical cost of the capital asset.

Pensions

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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

Long-Term Obligations

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

Compensated Absences

Sick leave is credited to an employee on the basis of eight or ten hours per month of service, depending on work schedule, not to exceed 720 hours. Accumulated sick leave does not vest and is not paid upon termination of employment. Vacation leave is credited to an employee depending on years of service, ranging from five to twenty days per year, with an additional five days for exempt positions. Vacation leave bank accumulation is limited to 240 hours for all employees. Eligible employees accumulate two personal days a year not to exceed ten days.

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

Connection Fees and Impact Fees

Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

as capital contributions when received. Prepaid impact fees received which reserve capacity in the City's future water or sewer facilities are deferred and reported as capital contributions when the requirements of the developer agreements are met by the City.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the government-wide statement of activities, all interfund transfers between individual enterprise funds, when applicable, are eliminated.

Leases

Lessee: The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements when the initial, individual value of the lease liability is \$1,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Equity Classifications

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

- a) **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation, right-to-use lease assets, prepaid bond insurance costs and the deferred charge on bond refunding which is then reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

- b) Restricted Net Position** - Consists of restricted assets reduced by liabilities related to those assets. The government-wide statement of net position reports \$5,318,019 of restricted net position of which \$5,049,966 is restricted by enabling legislation.
- c) Unrestricted Net Position** - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

- *Non-Spendable* – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* – amounts constrained to specific purposes by formal action (ordinance) of the City using its highest level of decision-making authority (the City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City Commission takes the same highest-level action (ordinance) to remove or change the constraint.
- *Assigned* – amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. The City Commission has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.
- *Unassigned* – all other spendable amounts.

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

Note 2 - Property Tax Calendar

Under Florida Law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and Polk County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millage into the total tax levy, which

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

includes the municipalities, the County, independent districts, and the Polk County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City’s millage rate in effect for the fiscal year ended September 30, 2025 was 5.2500.

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

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

Note 3 - Budgetary Law and Practice

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

Note 4 - Deposits and Investments

A common cash and cash equivalent pool is maintained for use by all governmental and proprietary funds. The “cash and cash equivalents” on the city-wide financial statements consists of each fund’s claim on the pooled cash and cash equivalents pool and defined as resources that can be liquidated without a significant delay or penalty. Cash and cash equivalents segregated as required by bond covenants or enabling legislation are classified as “restricted assets”. Investment earnings are allocated to the individual funds monthly based on the fund’s weighted average monthly cash and investment balance.

Deposits and investments as of September 30, 2025:

Cash and Cash Equivalents	
Cash on Hand	\$ 875
Deposits in Financial Institutions:	
Insured or Fully Collateralized Bank Deposits	8,693,675
FL SAFE Stable NAV Fund	<u>5,822,640</u>
Total Cash and Cash Equivalents	<u>\$ 14,517,190</u>

Custodial Credit Risk-Deposits

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

The City’s deposits (cash and certificates of deposit) are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. All deposits are held in *qualified public* depositories. These depositories participate in a shared risk collateral pool overseen by the State of Florida and established by Florida Statute. The State of Florida collateral pool is a multiple financial institution pool

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

which provides for additional amounts to be assessed to the members of the pool if the value of the pool’s collateral is inadequate to cover a loss. The amounts covered by the pool are considered *insured* for financial reporting disclosure requirements. Because of this arrangement, management believes the City’s deposits are not exposed to custodial credit risk.

Custodial Credit Risk – Investments

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

Interest Rate and Credit Risk

Interest rate risk exists when there is a possibility that change in interest rates could adversely affect an investment’s fair value. Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Information related to interest rate and credit risk for the City’s fixed income investments on September 30, 2025, is summarized below:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (WAM)</u>
FL SAFE Stable NAV Fund	AAAm	\$ 5,822,640	WAM 38 Days

Investments – Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City holds no investments reported at fair value on September 30, 2025.

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

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POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 5 - Capital Assets

Capital assets activity for the year ended September 30, 2025, was as follows:

	Governmental Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated				
Land	\$ 412,542	\$ -	\$ -	\$ 412,542
Construction in Progress	154,542	38,062	-	192,604
Total Capital Assets Not Being Depreciated	567,084	38,062	-	605,146
Capital Assets Being Depreciated				
Buildings and Improvements	3,538,466	4,105	-	3,542,571
Recreational Facilities	503,467	12,013	-	515,480
Equipment	734,449	107,276	(15,285)	826,440
Infrastructure:				
Sidewalk Systems	129,383	-	-	129,383
Drainage Systems	75,626	-	-	75,626
Right-to-Use Leased Equipment	23,987	-	-	23,987
Total Capital Assets Being Depreciated	5,005,378	123,394	(15,285)	5,113,487
Less Accumulated Depreciation				
Buildings and Improvements	(1,475,091)	(87,593)	-	(1,562,684)
Recreational Facilities	(433,507)	(11,215)	-	(444,722)
Equipment	(573,802)	(46,665)	10,736	(609,731)
Infrastructure:				
Sidewalk Systems	(55,542)	(3,673)	-	(59,215)
Drainage Systems	(36,302)	(1,891)	-	(38,193)
Right-to-Use Leased Equipment	(8,470)	(4,798)	-	(13,268)
Total Accumulated Depreciation	(2,582,714)	(155,835)	10,736	(2,727,813)
Total Depreciable Capital Assets, Net	\$ 2,422,664	\$ (32,441)	\$ (4,549)	\$ 2,385,674
	Business-Type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,762,913	\$ -	\$ -	\$ 2,762,913
Construction in Progress	116,940	4,319	-	121,259
Total Capital Assets Not Being Depreciated	2,879,853	4,319	-	2,884,172
Capital Assets Being Depreciated				
Utility Plant	16,649,005	34,390	-	16,683,395
Equipment	982,603	30,863	-	1,013,466
Right-to-Use Leased Equipment	9,973	-	-	9,973
Total Capital Assets Being Depreciated	17,641,581	65,253	-	17,706,834
Less Accumulated Depreciation				
Utility Plant	(5,910,890)	(442,370)	-	(6,353,260)
Equipment	(635,950)	(96,900)	-	(732,850)
Right-to-Use Leased Equipment	(3,668)	(1,995)	-	(5,663)
Total Accumulated Depreciation	(6,550,508)	(541,265)	-	(7,091,773)
Total Depreciable Capital Assets, Net	\$ 11,091,073	\$ (476,012)	\$ -	\$ 10,615,061

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Depreciation expense was charged to the following programs and functions:

Governmental Activities	
General Government	\$ 76,813
Building and Zoning	1,790
Code Enforcement	116
Library	1,781
Parks and Recreation	27,499
Public Works	1,022
Stormwater Utility	1,891
Streets	<u>44,923</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 155,835</u>
Business-Type Activities	
Water and Sewer	<u>\$ 541,265</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 541,265</u>

Note 6 - Leases

Lease Payable – The following is information related to the City’s leases payable on September 30, 2025:

<u>Leased Costs</u>	Balance as of September 30, 2025			<u>Payment Frequency</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Inception Year</u>	<u>Lease Term at Inception (Months)</u>
	<u>Costs</u>	<u>Accumulated Amortization</u>	<u>Lease Payable</u>					
Multifunction Copier	\$ 6,443	\$ 3,537	\$ 2,906	Monthly	\$ 124	6.00%	2023	60
Multifunction Copier	1,993	1,094	899	Monthly	38	6.00%	2023	60
Multifunction Copier	5,425	2,978	2,447	Monthly	104	6.00%	2023	60
Multifunction Copier	8,589	4,139	4,450	Monthly	165	6.00%	2023	60
Multifunction Copier	1,537	690	847	Monthly	30	6.00%	2023	60
Government-Wide Activities	<u>\$ 23,987</u>	<u>\$ 12,438</u>	<u>\$ 11,549</u>					
Multifunction Copier	\$ 6,443	\$ 3,537	\$ 2,906	Monthly	124	6.00%	2023	60
Multifunction Copier	1,993	1,094	899	Monthly	38	6.00%	2023	60
Multifunction Copier	1,537	690	847	Monthly	30	6.00%	2023	60
Business-Type Activities	<u>\$ 9,973</u>	<u>\$ 5,321</u>	<u>\$ 4,652</u>					

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POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 7 - Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended September 30, 2025:

	Governmental Activities				Current Portion
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-Term Debt					
Notes Payable:					
Citizens Bank and Trust Installment Note	\$ 866,626	\$ -	\$ (91,361)	\$ 775,265	\$ 94,559
Total Notes Payable	<u>866,626</u>	<u>-</u>	<u>(91,361)</u>	<u>775,265</u>	<u>94,559</u>
Other Liabilities:					
Other Postemployment Benefits	36,844	12,293	-	49,137	-
Compensated Absences*	110,873	33,277	-	144,150	-
Net Pension Liability	986,289	-	(126,654)	859,635	-
Right-to-Use Leased Assets	16,239	-	(4,690)	11,549	4,980
Total Other Liabilities	<u>1,150,245</u>	<u>45,570</u>	<u>(131,344)</u>	<u>1,064,471</u>	<u>4,980</u>
Total Long-Term Liabilities	<u>\$ 2,016,871</u>	<u>\$ 45,570</u>	<u>\$ (222,705)</u>	<u>1,839,736</u>	<u>\$ 99,539</u>
Less Amount Due in One Year				(99,539)	
Net Long-Term Debt Due After One Year				<u>\$ 1,740,197</u>	

	Business-Type Activities				Current Portion
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-Term Debt					
Direct Borrowings or Placements:					
Notes Payable:					
Installment Note to Florida Department of Environmental Protection (WW51201P)	\$ 1,401,943	\$ -	\$ (141,267)	\$ 1,260,676	\$ 144,692
Installment Note to Florida Department of Environmental Protection (WW531400)	26,999	-	(1,768)	25,231	1,782
Installment Note to Florida Department of Environmental Protection (WW531402)	723,939	-	(27,131)	696,808	27,186
Total Notes Payable	<u>2,152,881</u>	<u>-</u>	<u>(170,166)</u>	<u>1,982,715</u>	<u>173,660</u>
Other Long-Term Debt:					
Revenue Certificates:					
Series 2017 Water/Sewer System, Refunding Revenue Bonds	6,855,000	-	(290,000)	6,565,000	300,000
Add Premium on Series 2017	385,807	-	(38,816)	346,991	-
Total Revenue Certificates	<u>7,240,807</u>	<u>-</u>	<u>(328,816)</u>	<u>6,911,991</u>	<u>300,000</u>
Other Liabilities:					
Other Postemployment Benefits	20,525	8,056	-	28,581	-
Compensated Absences*	21,783	14,701	-	36,484	-
Net Pension Liability	426,971	-	(52,552)	374,419	-
Right-to-Use Leased Assets	6,611	-	(1,959)	4,652	2,079
Total Other Liabilities	<u>475,890</u>	<u>22,757</u>	<u>(54,511)</u>	<u>444,136</u>	<u>2,079</u>
Total Long-Term Liabilities	<u>\$ 9,869,578</u>	<u>\$ 22,757</u>	<u>\$ (553,493)</u>	<u>9,338,842</u>	<u>\$ 475,739</u>
Less Amount Due in One Year				(475,739)	
Net Long-Term Debt Due After One Year				<u>\$ 8,863,103</u>	

*The change in compensated absences above is a net change for the year.

Notes to Long-Term Obligations Table

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

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Governmental Activities

- Citizens Bank and Trust Installment Note – This note is secured by all revenues of the City’s communications service tax and the City’s half-cent sales tax. This note bears interest at 3.4%, with monthly principal and interest payments on the first day of each month, with a final maturity of January 1, 2033. The note proceeds were used to retire the City’s outstanding Series 2007 Capital Improvement Revenue Bonds which were used to construct the City’s administration facilities.
- Right-to-Use Leased Assets – In November 2022, the City entered into a lease agreement for a total amount of \$33,960 (\$23,987 for Governmental Activities and \$9,973 for Business -Type Activities) for copiers. The lease agreement was for a period of 60 months, with monthly payments.

Business-Type Activities

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

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

- Installment Note to Florida Department of Environmental Protection (WW 51201P) - This note is secured by the net revenues of the sewer system and sewer impact fees. The note bears interest at 2.41%, with semi-annual principal and interest payments on March 15 and September 15 with a final maturity in September 2033. The note proceeds were used to fund the planning, administrative, and engineering costs for construction of wastewater transmission, collection, reuse, and treatment facilities. The note requires the maintenance of a sinking fund.
- Installment Note to Florida Department of Environmental Protection (WW 531400) - This note is secured by the net revenues of the water and sewer system. The note bears interest at 0.76%, with semi-annual principal and interest payments on March 15 and September 15 with a final maturity in September 2039. The note proceeds were used to fund the design of wastewater pollution control facilities. The note requires the maintenance of a sinking fund.
- Installment Note to Florida Department of Environmental Protection (WW 531402) - This note is secured by the net revenues of the water and sewer system. The note bears interest at 0.46%, with semi-annual principal and interest payments on May 15 and November 15 with a final maturity in May 2051. The note proceeds were used to fund the construction of wastewater pollution control facilities. The note requires the maintenance of a sinking fund.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Maturities

Annual requirements to repay all long-term bonds and notes payable as of September 30, 2025, were as follows:

Fiscal Year Ending September 30,	<u>Governmental Activities</u>	
	<u>Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 94,559	\$ 25,228
2027	97,869	21,918
2028	101,295	18,492
2029	104,840	14,946
2030	108,510	11,276
2031-2033	268,192	11,309
Total	<u>\$ 775,265</u>	<u>\$ 103,169</u>

Fiscal Year Ending September 30,	<u>Business-Type Activities</u>					
	<u>Direct Borrowings and Direct Placements</u>		<u>Other Long-Term Debt</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 173,660	\$ 31,148	\$ 300,000	\$ 267,725	\$ 473,660	\$ 298,873
2027	177,237	27,571	310,000	255,725	487,237	283,296
2028	180,899	23,909	325,000	243,325	505,899	267,234
2029	184,649	20,159	340,000	230,325	524,649	250,484
2030	188,488	16,320	350,000	216,725	538,488	233,045
2031-2035	648,556	27,067	1,985,000	860,825	2,633,556	887,892
2036-2040	146,120	3,924	2,410,000	427,963	2,556,120	431,887
2041-2045	112,521	1,998	545,000	23,162	657,521	25,160
2046-2050	113,481	1,038	-	-	113,481	1,038
2051	57,104	153	-	-	57,104	153
Add: Unamortized Bond Premium	-	-	346,991	-	346,991	-
Total	<u>\$ 1,982,715</u>	<u>\$ 153,287</u>	<u>\$ 6,911,991</u>	<u>\$ 2,525,775</u>	<u>\$ 8,894,706</u>	<u>\$ 2,679,062</u>

Annual requirements to repay the leases payable of the governmental and business-type activities as of September 30, 2025, were as follows:

Fiscal Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 4,980	\$ 557	\$ 2,079	\$ 223	\$ 7,059	\$ 780
2027	5,287	250	2,208	94	7,495	344
2028	1,282	18	365	5	1,647	23
Total	<u>\$ 11,549</u>	<u>\$ 825</u>	<u>\$ 4,652</u>	<u>\$ 322</u>	<u>\$ 16,201</u>	<u>\$ 1,147</u>

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 8 - Future Revenues That are Pledged

The City has pledged various future revenue sources for various debt issues. For the water and sewer systems, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City’s outstanding debt issues. Additional information regarding the City’s pledged revenue can be found in Note 7.

<u>Pledged Revenue</u>	<u>Revenue Pledged Through</u>	<u>Principal and Interest Outstanding</u>	<u>Principal and Interest Paid</u>	<u>Current Year Revenue</u>	<u>Percentage of Revenues to Principal and Interest Paid</u>
Communication Services Tax Pursuant to Section 202.19, Florida Statutes, and the Half Cent Sales Tax Pursuant to Part VI of Chapter 218, Florida Statutes	1/1/2033	\$ 878,434	\$ 119,787	\$ 363,240	303.24%
Water and Sewer System Net Revenue and Sewer Impact Fees	8/1/2041	11,226,778	774,133	79,343 *	10.25% **

*Net of operating expenses.

**For fiscal year 2025, the City was not in compliance with two separate bond covenant requirements. Specifically, the City failed to meet the net revenue coverage thresholds of at least 115% and 125% of current year principal and interest payments, as required under its bond agreements. The City is currently evaluating its utility rate structure in order to restore compliance. See Note 15 for more details.

Note 9 - Interfund Transactions

There were no interfund transactions for the 2024-25 fiscal year.

There were no interfund receivables and payables on September 30, 2025.

Note 10 - Pension Plan

Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information About the FRS

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

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, *Florida Administrative Code*; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. An annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services website.

FRS Pension Plan

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

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class Members Initially Enrolled Before July 1, 2011	
Retirement up to Age 62 or up to 30 Years of Service	1.60
Retirement at Age 63 or with 31 Years of Service	1.63
Retirement at Age 64 or with 32 Years of Service	1.65
Retirement at Age 65 or with 33 or More Years of Service	1.68
Regular Class Members Initially Enrolled on or After July 1, 2011	
Retirement up to Age 65 or up to 33 Years of Service	1.60
Retirement at Age 66 or with 34 Years of Service	1.63
Retirement at Age 67 or with 35 Years of Service	1.65
Retirement at Age 68 or with 36 or More Years of Service	1.68
Senior Management Service Class	2.0

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2024-25 fiscal year were as follows:

<u>Class</u>	<u>July 1, 2024 - June 30, 2025</u>		<u>July 1, 2025 - June 30, 2026</u>	
	<u>Employee</u>	<u>Employee (A)</u>	<u>Employee</u>	<u>Employee (A)</u>
Regular	3.00%	13.63%	3.00%	14.03%
Senior Management	3.00%	34.52%	3.00%	33.24%

Note (A) Employee rates include 2.00 percent for the postemployment health insurance subsidy. Also, employer rates include 0.06 percent for administrative costs of the Investment Plan.

The City's contributions to the Plan totaled \$165,245 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2025, the City reported a liability of \$858,930 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The City's proportionate share of the net pension liability was based on the City's contributions for the year ended June 30, 2025, relative to the contributions of all participating members for that period. At June 30, 2025, the City's proportionate share was 0.0027676070 percent, which was an increase of 0.0001739700 from its proportionate share measured as of June 30, 2024.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

For the fiscal year ended September 30, 2025, the City recognized pension expense of \$137,918. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 91,743	\$ -
Change of Assumptions	99,744	-
Net Difference Between Projected and Actual		
Earnings on FRS Pension Plan Investments	-	143,407
Changes in Proportion and Differences Between		
City FRS Contributions and Proportionate		
Share of Contributions	75,519	5,969
City FRS Contributions Subsequent to the		
Measurement Date	35,902	-
Total	\$ 302,908	\$ 149,376

The deferred outflows of resources related to pensions, totaling \$35,902, resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2026	\$ 173,660
2027	(10,075)
2028	(25,127)
2029	(20,828)
	\$ 117,630

Actuarial Assumptions. The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 Percent
Salary Increases	3.50 Percent, Average, Including Inflation
Investment Rate of Return	6.70 Percent, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2021.

The actuarial assumptions that determined the total pension liability as of July 1, 2025, were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.2%	3.2%	1.1%
Fixed Income	29.0%	5.5%	5.4%	4.0%
Global Equity	45.0%	8.5%	6.9%	18.3%
Real Estate	12.0%	8.4%	7.1%	16.8%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.5%	6.1%	8.7%
Total	<u><u>100.0%</u></u>			
Assumed Inflation - Mean			2.4%	1.5%

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.70 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>5.70%</u>	<u>6.70%</u>	<u>7.70%</u>
City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 1,685,638</u>	<u>\$ 858,930</u>	<u>\$ 165,831</u>

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

Payables to the Pension Plan. At September 30, 2025, the City reported a payable of \$7,178 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2025.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution rate was 2.00% of payroll pursuant to Section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$26,157 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At September 30, 2025, the City reported a net pension liability of \$375,124 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The City's proportionate share of the net pension liability was based on the City's contributions for the year ended June 30, 2025, relative to the contributions of all participating members for that period. At June 30, 2025, the City's proportionate share was 0.0029266670 percent, which was an increase of 0.0001940470 percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the City recognized the HIS Plan pension expense of \$27,474. In addition, the City reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,239	\$ 595
Change of Assumptions	3,320	90,733
Net Difference Between Projected and Actual		
Earnings on HIS Pension Plan Investments	-	312
Changes in Proportion and Differences Between		
City HIS Contributions and Proportionate		
Share of Contributions	46,711	21,861
City Contributions Subsequent to the		
Measurement Date	5,705	-
Total	<u>\$ 57,975</u>	<u>\$ 113,501</u>

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

The deferred outflows of resources, totaling \$5,705, was related to pensions resulting from City contributions to the HIS Plan subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2026	\$ (7,069)
2027	(16,857)
2028	(18,045)
2029	(13,136)
2030	(6,124)
	\$ (61,231)

Actuarial Assumptions. The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 Percent
Salary Increases	3.50 Percent, Average, Including Inflation
Discount Rate	5.20 Percent

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2021 tables.

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The municipal rate used to determine total pension liability increased from 3.93% to 5.20%.

Discount Rate. The discount rate used to measure the total pension liability was 5.20 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Conference.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.20 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20 percent) or 1 percentage point higher (6.20 percent) than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
City's Proportionate Share of the Net Pension Liability	\$ 423,013	\$ 375,124	\$ 334,961

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

Payables to the Pension Plan. At September 30, 2025, the City reported a payable of \$3,135 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2025.

FRS – Defined Contribution Pension Plan

FRS Investment Plan

The State Board Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees already participating in the DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2024-25 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	8.30%
FRS, Senior Management Service	9.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the Plan is transferred to the Investment Plan, the member must have the years of service required for the Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2025, the information for forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

The City's contributions to the Investment Plan totaled \$28,422 for the fiscal year ended September 30, 2025.

Note 11 - Other Postemployment Benefits (OPEB)

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

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

There are currently 23 active plan members and no inactive plan members who are receiving benefits.

Funding Policy – OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes. The City has not advance-funded or established a funding methodology for the annual OPEB costs or the OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis.

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

Total OPEB Liability – The City's total OPEB liability was determined by an actuarial valuation as of September 30, 2025, utilizing the alternative measurement method, using the assumptions below.

Inflation Rate	2.50 Percent
Salary Increase Rate(s)	3.00 Percent
Discount Rate	4.50 Percent
Initial Trend Rate	6.75 Percent
Ultimate Trend Rate	4.00 Percent
Years to Ultimate	50

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

Under the alternative measurement method, changes in the total OPEB liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB expense.

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 4.50%. The high-quality bond rate was based on the week closest but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal Bond 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated AA by Standard and Poor’s Ratings Services, Aa2 by Moody’s, or AA by Fitch; if there are multiple ratings, the lowest rate is used.

OPEB Expense – For the year ended September 30, 2025, the City recognized OPEB expense of \$23,370.

Changes in Total OPEB Liability:

	Liability
Reporting Period Ended September 30, 2024	\$ 57,369
Changes for the Year:	
Service Cost	19,759
Interest	3,112
Changes of Assumptions	(1,601)
Benefit Payments	(921)
Net Change	20,349
Reporting Period Ended September 30, 2025	\$ 77,718

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.50%	4.50%	5.50%
Total OPEB Liability	\$ 81,401	\$ 77,718	\$ 74,191

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% - 5.75%	4.00% - 6.75%	5.00% - 7.75%
Total OPEB Liability	\$ 70,266	\$ 77,718	\$ 86,382

**POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 12 - Joint Venture

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

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

The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2025, the total annual working capital needs of the PRWC was \$346,516 of which the City's proportionate share was \$1,791.

Effective April 19, 2021, the City entered into a project implementation agreement with other PRWC participating governments for the West Polk Lower Floridan Wellfield project. The purpose of the agreement is to govern the design, permitting, construction, operation, maintenance, and funding of the alternative water project. The City's commitment as a party to this agreement is to pay the PRWC for alternative water services consisting of a base rate charge and a water use rate charge. The City will be notified as to the amount of these water charges on or before May 31st prior to the fiscal year in which finished water service is scheduled to commence and on or before May 31st thereafter. The City did not pay any project costs during the 2024-25 fiscal year.

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, Florida 33831-9005.

Note 13 - Risk Management and Litigation

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2025 or the previous two years. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the City. The City's workers compensation coverage is provided through a non-assessable, non-profit, tax-exempt risk sharing pool. Settled claims resulting from these risks have not exceeded insurance coverage.

POLK CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 14 - Commitments and Contingencies

- The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2025, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

- The City contracted with the Polk County Sheriff to provide enhanced law enforcement services within the City through the fiscal year ended September 30, 2025. The annual cost increases 2% per year over the term of the contract. Under the agreement, the City paid \$111,840 for base services and \$83,515 for additional services for the fiscal year ended September 30, 2025. The contract with the Polk County Sheriff was for the period of October 1, 2021 through September 30, 2025.

The City entered into a new contract with the Polk County Sheriff effective for one year beginning October 1, 2025, at a cost of \$132,499.

- The City entered into a Consent Order with the Florida Department of Environmental Protection (FDEP) regarding compliance with Chapter 403, Florida Statutes, and Title 62, *Florida Administrative Code*. The Consent Order provides for a resolution of certain compliance issues, corrective actions to be taken, civil penalties, and future compliance schedules.

Costs associated with the implementation of the Consent Order are expected to have a material adverse effect on the financial position of the City. As of September 30, 2025, the City has not accrued a liability related to these requirements.

Note 15 - Bond Covenant Non-Compliance

As of September 30, 2025, the City was not in compliance with the Debt Service Coverage ratio covenant required by the City's US Bank Series 2017 Water and Sewer System Refunding Revenue Bonds and FDEP Installment Notes. The bond agreements require a minimum debt service coverage ratio of 1.25 and 1.15, respectively. However, as of September 30, 2025, the actual coverage ratio was 0.10. The non-compliance was driven by increased expenditures required for major repairs and maintenance undertaken in response to the FDEP Consent Decree disclosed in Note 14, which has not yet been fully satisfied. The City is taking steps to increase rates to restore compliance as outlined in the bond agreements.



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REQUIRED SUPPLEMENTARY INFORMATION

POLK CITY, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows)				
Taxes	\$ 2,126,469	\$ 2,126,469	\$ 2,214,715	\$ 88,246
Licenses and Permits	281,700	281,700	311,333	29,633
Intergovernmental Revenue	410,530	410,530	419,006	8,476
Charges for Services	542,528	542,528	628,296	85,768
Fines and Forfeitures	9,000	9,000	11,524	2,524
Other	67,950	67,950	132,219	64,269
Amounts Available for Appropriations	<u>3,438,177</u>	<u>3,438,177</u>	<u>3,717,093</u>	<u>278,916</u>
Charges to Appropriations (Outflows)				
General Government	1,215,083	1,215,083	1,112,969	102,114
Public Safety	697,355	697,355	627,260	70,095
Physical Environment	654,861	654,861	665,147	(10,286)
Transportation	587,827	587,827	517,966	69,861
Culture/Recreation	213,159	213,159	216,037	(2,878)
Capital Outlay	94,700	94,700	139,155	(44,455)
Debt Service	119,811	119,811	129,794	(9,983)
Total Charges to Appropriations	<u>3,582,796</u>	<u>3,582,796</u>	<u>3,408,328</u>	<u>174,468</u>
Excess (Deficiency) of Resources Over (Under) Charges to Appropriations	<u>(144,619)</u>	<u>(144,619)</u>	<u>308,765</u>	<u>453,384</u>
Excess (Deficiency) of Resources	<u>(144,619)</u>	<u>(144,619)</u>	<u>308,765</u>	<u>453,384</u>
Reserves Carried to Subsequent Year	<u>144,619</u>	<u>144,619</u>		
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>		

POLK CITY, FLORIDA
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND - IMPACT FEES (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows)				
Impact Fees	\$ 528,956	\$ 528,956	\$ 80,377	\$ (448,579)
Other	60,000	60,000	61,020	1,020
Amounts Available for Appropriations	<u>588,956</u>	<u>588,956</u>	<u>141,397</u>	<u>(447,559)</u>
Excess (Deficiency) of Resources Over (Under) Charges to Appropriations	<u>588,956</u>	<u>588,956</u>	<u>141,397</u>	<u>(447,559)</u>
Excess (Deficiency) of Resources Over (Under) Charges to Appropriations and Other Financing Sources	<u>588,956</u>	<u>588,956</u>	<u>\$ 141,397</u>	<u>\$ (447,559)</u>
Reserves Carried to Subsequent Year	<u>(588,956)</u>	<u>(588,956)</u>		
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>		

POLK CITY, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's Proportion of the FRS Net Pension Liability (Asset)	0.002767607%	0.002593637%	0.002580306%	0.002687380%	0.002444797%	0.002048272%	0.001965433%	0.001607192%	0.001287606%	0.001273210%
City's Proportionate Share of the FRS Net Pension Liability (Asset)	\$ 858,930	\$ 1,003,341	\$ 1,028,170	\$ 978,102	\$ 184,677	\$ 887,751	\$ 676,868	\$ 484,095	\$ 380,865	\$ 321,486
City's Covered Payroll (2)	\$ 1,317,032	\$ 1,156,507	\$ 1,114,819	\$ 1,103,494	\$ 992,952	\$ 867,651	\$ 804,096	\$ 588,735	\$ 415,532	\$ 379,179
City's Proportionate Share of the FRS Net Pension Liability (Asset) as a Percentage of its Covered Payroll	65.22%	86.76%	92.23%	88.64%	18.60%	102.32%	84.18%	82.23%	91.66%	84.78%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.30%	82.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

Notes:

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

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

POLK CITY, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)
LAST TEN FISCAL YEARS

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required FRS Contribution	\$ 165,245	\$ 146,868	\$ 124,129	\$ 112,173	\$ 93,136	\$ 68,055	\$ 60,943	\$ 45,804	\$ 40,068	\$ 34,559
FRS Contributions in Relation to the Contractually Required Contribution	165,245	146,868	124,129	112,173	93,136	68,055	60,943	45,804	40,068	34,559
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 1,317,032	\$ 1,174,040	\$ 1,114,819	\$ 1,103,494	\$ 992,952	\$ 867,651	\$ 804,096	\$ 588,735	\$ 415,532	\$ 379,179
FRS Contributions as Percentage of Covered Payroll	12.55%	12.51%	11.13%	10.17%	9.38%	7.84%	7.58%	7.78%	9.64%	9.11%

Notes:

- (1) The amounts presented for each fiscal year were determined as of September 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

POLK CITY, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PENSION PLAN (1)
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's Proportion of the HIS Net Pension Liability (Asset)	0.002926667%	0.002732622%	0.002813214%	0.003027316%	0.002804170%	0.002499340%	0.002403726%	0.001802214%	0.001356602%	0.001297807%
City's Proportionate Share of the HIS Net Pension Liability (Asset)	\$ 375,124	\$ 409,920	\$ 446,775	\$ 320,641	\$ 343,975	\$ 305,161	\$ 268,953	\$ 190,748	\$ 145,054	\$ 151,254
City's Covered Payroll (2)	\$ 1,317,032	\$ 1,156,507	\$ 1,114,819	\$ 1,103,494	\$ 992,952	\$ 884,589	\$ 804,096	\$ 588,735	\$ 415,532	\$ 379,179
City's Proportionate Share of the HIS Net Pension Liability (Asset) as a Percentage of its Covered Payroll	28.48%	35.44%	40.08%	29.06%	34.64%	34.50%	33.45%	32.40%	34.91%	39.89%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

Notes:

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

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

**POLK CITY, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN (1)
LAST TEN FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required HIS Contribution	\$ 26,157	\$ 23,135	\$ 18,506	\$ 18,318	\$ 16,483	\$ 14,403	\$ 13,348	\$ 9,773	\$ 6,898	\$ 6,294
HIS Contributions in Relation to the Contractually Required Contribution	26,157	23,135	18,506	18,318	16,483	14,403	13,348	9,773	6,898	6,294
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 1,317,032	\$ 1,174,040	\$ 1,114,819	\$ 1,103,494	\$ 992,952	\$ 867,651	\$ 804,096	\$ 588,735	\$ 415,532	\$ 379,179
HIS Contributions as Percentage of Covered Payroll	1.99%	1.97%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

Notes:

- (1) The amounts presented for each fiscal year were determined as of September 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

POLK CITY, FLORIDA
NOTES TO THE SCHEDULES OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY AND SCHEDULES OF CITY'S CONTRIBUTIONS –
FLORIDA RETIREMENT SYSTEM PENSION PLAN
AND HEALTH INSURANCE SUBSIDY PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

Changes of Assumptions:

- a. The long-term expected rate of return/discount rate was unchanged at 6.70%.

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

Changes of Assumptions:

- a. The municipal bond rate/discount rate used to determine total pension liability increased from 3.93% to 5.20%.
- b. The demographic assumptions for the Special Risk class were updated to reflect plan changes due to HB5007, HB689, and SB838. Specifically, HB5007 resulted in the development of separate rates of DROP Entry for law enforcement officers, and an assumed 60-month average duration of DROP participation for law enforcement officers who enter DROP in the future. HB689 and SB838 resulted in updated line-of-duty disability rates and an increase in the portion of all future active member deaths assumed to be in the line of duty from 25% to 30% for all Special Risk class members.
- c. The election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.

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

POLK CITY, FLORIDA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Measurement Date	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Reporting Period Ending	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Total OPEB Liability					
Service Cost	\$ 19,759	\$ 11,355	\$ 11,140	\$ 6,041	\$ 5,865
Interest	3,112	2,940	2,354	954	926
Change in Assumptions	(1,601)	8,347	(280)	(126)	3,992
Difference Between Expected and Actual Experience	-	(13,052)	-	84	(8,291)
Benefits Payments	(921)	(2,476)	(2,303)	(1,589)	(1,478)
Net Change in Total OPEB Liability	20,349	7,114	10,911	5,364	1,014
Total OPEB Liability, Beginning	57,369	50,255	39,344	33,980	32,966
Total OPEB Liability, Ending	\$ 77,718	\$ 57,369	\$ 50,255	\$ 39,344	\$ 33,980
Covered-Employee Payroll	\$ 1,019,310	\$ 1,260,386	\$ 978,258	\$ 949,765	\$ 933,288
Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.62%	4.55%	5.14%	4.14%	3.64%
Change of Assumptions - Discount Rate	4.50%	4.06%	4.87%	4.77%	2.43%

Notes to Schedule:

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

The City implemented the provisions of GASB Codification, Section P52 during the 2022 fiscal year and additional information will be provided annually until ten years of data is presented.



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OTHER REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk City, 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 22, 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Honorable Mayor and
Members of the City Commission
Polk City, 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 the following instance of non-compliance that is required to be reported under *Government Auditing Standards*:

■ 2025-001 Bond Covenant Non-Compliance

The City's Series 2017 Water and Sewer System Refunding Revenue Bonds with US Bank and Installment Notes to the Florida Department of Environmental Protection (WW 51201P, WW 531400, and WW 531402) contain rate covenants that require the City to levy sufficient rates to generate net revenues from the system that will meet a minimum Debt Service Coverage (DSC) ratios defined in the agreements. For the year ended September 30, 2025, the Enterprise Fund of the City did not have sufficient net revenues to meet the required DSC ratio. To remedy this condition, we recommend that the City review the fund rates and costs to determine the appropriate mix of rate change or cost adjustments necessary for the system to generate sufficient net revenues that will meet the minimum DSC ratios.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described above. 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis Gray

May 22, 2026
Sarasota, Florida

INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS

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

We have examined Polk City, Florida’s (the City’s) 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 required 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 of the City and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination of 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 Florida Auditor General, 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 22, 2026
Sarasota, Florida

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Polk City, Florida (the City) as of and for the year ended September 30, 2025, and have issued our report thereon dated May 22, 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*; 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 these reports, which are dated May 22, 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. For the legal authority of the City, see Footnote A of the summary of significant accounting policies in Note 1 of the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City 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.

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

MANAGEMENT LETTER

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 have the following recommendation:

■ 2025-002 Journal Entry Review and Approval

During our testing, we noted that certain individuals have the ability to enter, approve, and modify journal entries within the accounting system. The City's prior-year audit included a segregation of duties finding, and while management has successfully addressed the majority of the related recommendations, controls over journal entry approvals have not been fully strengthened. We noted instances where journal entries were entered and approved by the same individual without evidence of independent review. The lack of independent review increases the risk that errors or unauthorized transactions may occur and not be detected in a timely manner. We recommend that all journal entries be supported by appropriate documentation and approved by a second individual independent of the preparer, with evidence of such review retained.

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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, 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 22, 2026
Sarasota, Florida



Polk City
123 Broadway Blvd
Polk City, FL 33868
Phone:863-984-1375
Fax:863-984-1984

May 22, 2026

Honorable Mayor, City Commissioners
Polk City
Polk City, FL 33868

RE: Management Letter dated May 22, 2026.

Fiscal Year 2025 Audit Findings - Additional Matters and Corrective Action

2025-001 Bond Covenant Non-Compliance

We will accept the auditor's findings in the Bond Covenant Non-compliance. The City has contracted with a local government and utility management consulting firm. The City has already made the first steps in correcting the deficiency by reviewing the current utility rates. Per Ordinance 2026-01, the commission voted on April 21, 2026, to increase the water and wastewater rates by 17% effective May 1, 2026, and 17% effective October 1, 2026.

2025-002 Journal Entry Review and Approval

We will accept the auditor's recommendation to require journal entry review and approval. When needed, a second individual will review entries prepared by one person and the related supporting documentation to reduce the risk of errors. Staff will continue developing and implementing processes to strengthen our financial controls.

The Staff will continue to strive to provide the highest level of financial services and report to Polk City.

Respectfully submitted,


Patricia Jackson
City Manager


Joanna Knowles
Finance Director