

ITB 20-020



Audit Services
Addendum 1
2019 Financial Statement

This addendum is being issued to provide a copy of the 2019 Financial Statement.

ACKNOWLEDGEMENT

It is the vendor's responsibility to ensure their receipt of all addenda, and to clearly acknowledge all addenda within their initial bid or proposal response in the space provided on the Submittal Checklist included in the original solicitation document. Failure to do so may subject the bidder to disqualification.

CITY OF SEBRING, FLORIDA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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CITY OF SEBRING, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2019

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited).....	3
Basic Financial Statements	
Government – Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Infrastructure Fund	23
Statement of Net Position – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Net Position – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	29
Notes to the Financial Statements	30
Required Supplementary Information – Pension Plans and Other Postemployment Benefits (Unaudited)	
Schedule of Changes in the City’s Net Pension Liability and Related Ratios - Police Officers’ Retirement Trust Fund	77
Schedule of City’s Contributions – Police Officers’ Retirement Trust Fund.....	78
Schedule of Investment Returns – Police Officers’ Retirement Trust Fund	79
Schedule of Changes in the City’s Net Pension Liability and Related Ratios – Municipal Firefighters’ Pension Plan.....	80
Schedule of City’s Contributions – Municipal Firefighters’ Pension Plan	81
Schedule of Investment Returns – Municipal Firefighters’ Pension Plan.....	82
Schedule of the City’s Proportionate Share of Net Pension Liability - Florida Retirement System Pension Plan	83
Schedule of the City’s Contributions - Florida Retirement System Pension Plan	84
Schedule of the City’s Proportionate Share of Net Pension Liability - Health Insurance Subsidy Pension Plan	85
Schedule of the City’s Contributions - Health Insurance Subsidy Pension Plan	86
Schedule of Changes in the City’s Total Other Post Employment Benefits Liability and Related Ratios	87

CITY OF SEBRING, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2019

	<u>PAGE</u>
Supplementary Information	
Combining Statement of Net Position – Internal Service Funds.....	88
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds.....	89
Combining Statement of Cash Flows – Internal Service Funds.....	90
 OTHER REPORTING	
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>	91
Schedule of Findings and Responses	93
Management Letter	94
Independent Accountant’s Report.....	97

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Sebring, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Sebring, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida as of September 30, 2019, and the respective changes in financial position, cash flows of its proprietary funds, and the respective budgetary comparison for the General Fund and the Infrastructure Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information for pension plans and other postemployment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020, on our consideration of the City of Sebring, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Sebring, Florida'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 of Sebring, Florida's internal control over financial reporting and compliance.

Wicks, Brown, Williams & Co., CPA's LLP
Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

June 15, 2020

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

The City of Sebring's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2019, the City of Sebring's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$56,019,436 (total net position). Of this amount, \$42,741,474 represents the City's net investment in capital assets, \$3,637,345 is restricted by laws or capital projects and the remaining \$9,640,617 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,038,433 from its current year activity. Governmental activities decreased \$1,113,214 and Business-type activities increased \$2,151,647.
- The City's total assets increased \$261,137 (.34%) during the current fiscal year, due to the net effect of decreases in receivables and capital assets that was offset by an increase in cash, deposit for equipment, and due from other governments.
- The City's total liabilities decreased \$793,639 (2.79%) during the current fiscal year. The governmental activities total liabilities increased \$1,350,823. The increase was a net result of accounts payable decreasing \$451,878, accrued expenses increasing \$158,013, unearned revenues increasing \$248,786, and net pension liability increasing \$1,393,593. Business-type activities total liabilities decreased \$2,144,462, which was comprised of a \$2,367,686 decrease attributed to debt service payments, a decrease in accounts payable of \$236,928 that was offset by an increase in unearned revenues of \$95,915, an increase in customer deposits of \$69,175 and an increase in net pension liabilities of \$268,865.
- The City's governmental activities reported a total net position of \$20,761,853, which is a decrease of \$1,113,214, or 5.09%, in comparison to the prior year. Approximately 18% of the total, or \$3,748,333 is unrestricted and available for spending at the City's discretion.
- The City's business-type activities reported a total net position of \$35,257,583 which is an increase of \$2,151,647, or 6.50%, in comparison to the prior year. Approximately 17% of the total, or \$5,892,284 is unrestricted and available for spending at the City's discretion.
- As of September 30, 2019, the City's governmental funds reported combined ending fund balances of \$12,608,069, a decrease of \$21,233 (0.16%) from the prior year. The General Fund reported Fund Balance of \$9,088,586, of which \$2,466 was nonspendable due to prepaid items, \$556,741 was nonspendable due to a deposit paid for the purchase of equipment, \$45,109 was restricted for law enforcement purposes, \$1,042,004 was assigned for cemetery care, and \$1,738,695 was assigned to support the subsequent year's budget. The remaining \$5,703,571 in unassigned fund balance was available for spending at the City's discretion.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. This discussion and analysis is intended to serve as an introduction to the City of Sebring's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on "activities," rather than (the previous model's) "fund types." All information is presented utilizing the economic resource measurement focus and the accrual basis of accounting. This method matches revenues and expenses to the period in which the revenue is earned and the expense incurred.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The unrestricted portion of net position is designed to be similar to bottom line results for private sector companies. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long term obligations.

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 costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Each of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety (law enforcement, fire control, and building, zoning and planning), physical environment, transportation, economic environment, and culture and recreation. The statement of net position for governmental activities also includes the assets, deferred outflows, liabilities, deferred inflows, and net position of the internal service funds. The business-type activities of the City consist of a water and wastewater system operation, a solid waste collection operation, and a golf course.

Component units are other governmental units over which the City (the City Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy. The Community Redevelopment Agency is reported as a component unit in the government-wide financial statements.

The government-wide financial statements can be found on pages 15-17 of this report.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements presentation most familiar.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds *Balance Sheet* and in the governmental funds *Statement of Revenues, Expenditures and Changes in Fund Balances* for the General Fund, Infrastructure Fund and CDBG Fund. The General Fund and Infrastructure funds are considered major funds.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements are required only for the general fund and major special revenue funds. Budgetary comparison statements have been provided for the General Fund and Infrastructure Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary Funds: The City has two proprietary fund types, enterprise funds and internal service funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater Fund, Solid Waste Fund and Golf Course Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City utilizes internal service funds to account for its self-insured health plan and property and casualty risk management insurance plan.

Fees and charges are the primary revenue sources for the proprietary funds.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for pension trust fund types and private purpose trust fund types is much like that used for proprietary funds. Individual fund data for the pension trust funds is provided in Note 12 to the Notes to the Financial Statements.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-76 of this report.

Infrastructure Assets: Historically, the City's largest group of assets (infrastructure – roads, parking lots, sidewalks, street lights, storm water drains, and retention ponds etc.) have not been reported nor depreciated in governmental financial statements. GASB Statement No. 34 requires that these assets be valued and reported within the governmental activities column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The City has elected to depreciate its infrastructure assets.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$56,019,436.

The following table reflects a condensed Statement of Net Position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position on page 15.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

Statement of Net Position (Summary)						
as of September 30, 2019 and 2018						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 15,236,364	\$ 15,235,962	\$ 10,891,321	\$ 9,747,694	\$ 26,127,685	\$ 24,983,656
Capital assets, net	13,492,760	13,337,984	38,984,763	40,022,431	52,477,523	53,360,415
Total assets	<u>28,729,124</u>	<u>28,573,946</u>	<u>49,876,084</u>	<u>49,770,125</u>	<u>78,605,208</u>	<u>78,344,071</u>
Deferred outflows of resources	4,693,848	4,712,809	1,393,725	1,604,135	6,087,573	6,316,944
Long-term liabilities	10,588,208	9,192,306	12,794,166	14,855,414	23,382,374	24,047,720
Current and other liabilities	1,502,593	1,547,672	2,780,728	2,863,942	4,283,321	4,411,614
Total liabilities	<u>12,090,801</u>	<u>10,739,978</u>	<u>15,574,894</u>	<u>17,719,356</u>	<u>27,665,695</u>	<u>28,459,334</u>
Deferred inflows of resources	570,318	671,710	437,332	548,968	1,007,650	1,220,678
Net position:						
Net investment in capital asset:	13,448,928	13,281,150	29,292,546	27,811,245	42,741,474	41,092,395
Restricted	3,564,592	2,876,503	72,753	72,434	3,637,345	2,948,937
Unrestricted	3,748,333	5,717,414	5,892,284	5,222,257	9,640,617	10,939,671
Total net position	<u>\$ 20,761,853</u>	<u>\$ 21,875,067</u>	<u>\$ 35,257,583</u>	<u>\$ 33,105,936</u>	<u>\$ 56,019,436</u>	<u>\$ 54,981,003</u>

By far, the largest portion of the City's net position, \$42,741,474 (76%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related outstanding debt used to acquire those assets. The City uses these 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 and pay for these liabilities.

An additional portion of the City's net position in the amount of \$3,637,345 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,640,617 (17%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2019, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Current and other assets increased by \$1,144,029 which was due primarily from an increase in cash and cash equivalents of \$549,722, decrease in receivables of \$438,997, increase in due from other governments of \$486,000, increase in deposit for equipment of \$556,741, and an increase in restricted cash and cash equivalents of \$69,174.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

Overall, total net position increased \$1,038,433 and net investment in capital assets increased \$1,649,079, restricted for law enforcement, debt service reserve and infrastructure increased \$688,408 and unrestricted decreased \$1,299,054. Notably, the City added over \$475,000 in infrastructure through the installation of water and sewer lines during the fiscal year.

Statement of Activities

The following table reflects a condensed Statement of Activities for the current year as compared to the prior year. For more detailed information, see the Statement of Activities on pages 16-17.

Changes in Net Position (Summary)						
For the Years Ended September 30, 2019 and 2018						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 1,313,682	\$ 1,194,895	\$ 12,593,902	\$ 12,089,752	\$ 13,907,584	\$ 13,284,647
Operating grants and contributions	282,544	216,347	491,784	29,800	774,328	246,147
Capital grants and contributions	294,323	26,940	466,909	196,214	761,232	223,154
General revenues						
Property taxes	3,041,631	2,974,984	-	-	3,041,631	2,974,984
Other taxes	3,393,710	3,484,334	-	-	3,393,710	3,484,334
Other	2,318,624	2,604,042	169,278	583,283	2,487,902	3,187,325
Total revenues	10,644,514	10,501,542	13,721,873	12,899,049	24,366,387	23,400,591
Expenses:						
General government	1,278,432	1,155,445	-	-	1,278,432	1,155,445
Public safety	8,538,196	8,099,628	-	-	8,538,196	8,099,628
Physical environment	122,681	83,405	-	-	122,681	83,405
Transportation	1,505,511	1,732,033	-	-	1,505,511	1,732,033
Economic environment	324,197	319,546	-	-	324,197	319,546
Culture/recreation	665,877	652,076	-	-	665,877	652,076
Interest on long-term debt	-	1,763	-	-	-	1,763
Water	-	-	4,679,794	4,678,659	4,679,794	4,678,659
Wastewater	-	-	3,526,411	3,590,249	3,526,411	3,590,249
Solid Waste	-	-	1,947,231	1,783,599	1,947,231	1,783,599
Golf Course	-	-	971,905	908,858	971,905	908,858
Total expenses	12,434,894	12,043,896	11,125,341	10,961,365	23,560,235	23,005,261
Change in Net Position before Transfers	(1,790,380)	(1,542,354)	2,596,532	1,937,684	806,152	395,330
Transfers	677,166	1,491,789	(444,885)	(1,462,423)	232,281	29,366
Change in Net Position after Transfers	(1,113,214)	(50,565)	2,151,647	475,261	1,038,433	424,696
Net position - beginning	21,875,067	22,422,135	33,105,936	32,698,318	54,981,003	55,120,453
Prior period adjustment	-	(496,503)	-	(67,643)	-	(564,146)
Net position - ending	\$ 20,761,853	\$ 21,875,067	\$ 35,257,583	\$ 33,105,936	\$ 56,019,436	\$ 54,981,003

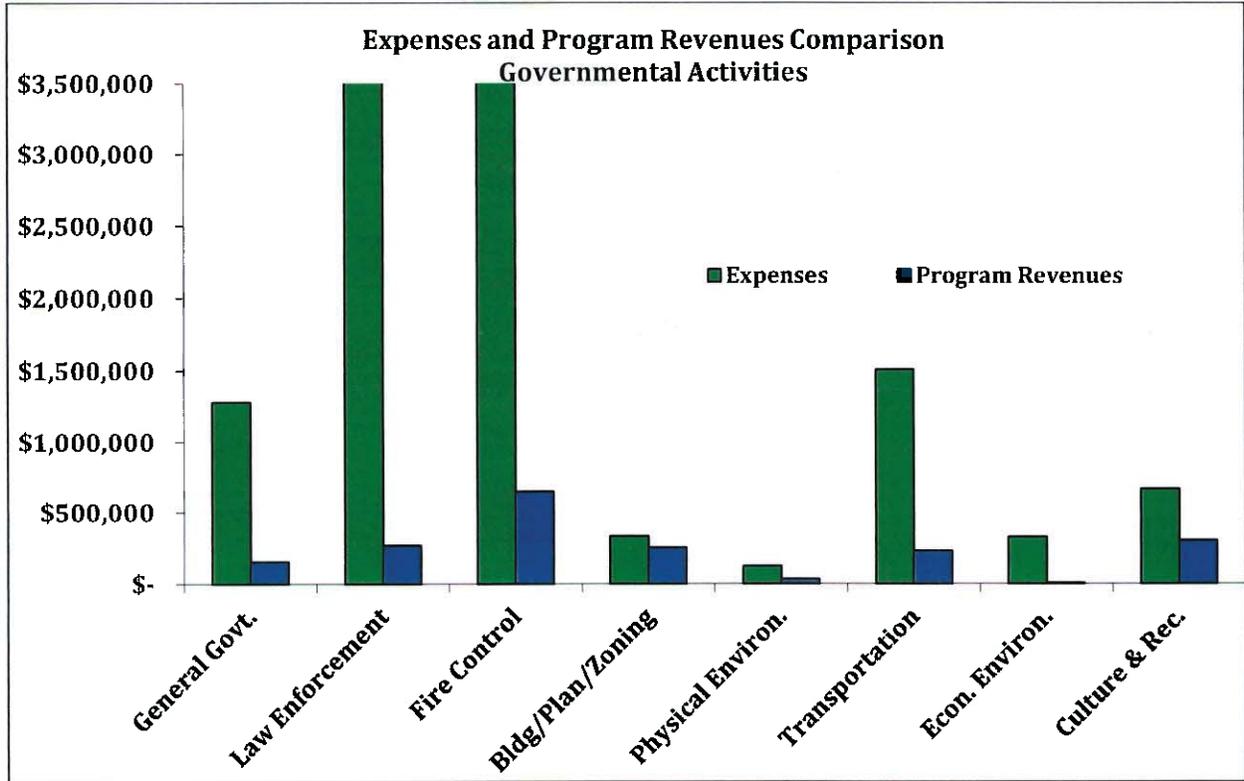
Governmental Activities

Total program revenues increased \$452,367 to \$1,890,549 from \$1,438,182 in the prior year. The most significant revenue in program services is from charges for services of \$1,313,682, then capital grants and contributions of \$294,323 and operating grants and contributions of \$282,544. Charges for services include \$135,432 in general government and \$1,077,701 in public safety charges. Program revenues increased due to a combination of an increase in charges for services and capital grants and contributions. Capital grants and contributions were received due to hurricane damage and for the purchase of playground equipment. General revenues decreased \$309,395 to \$8,753,965 from \$9,063,360 primarily due to insurance recoveries of \$492,077 received in the prior year.

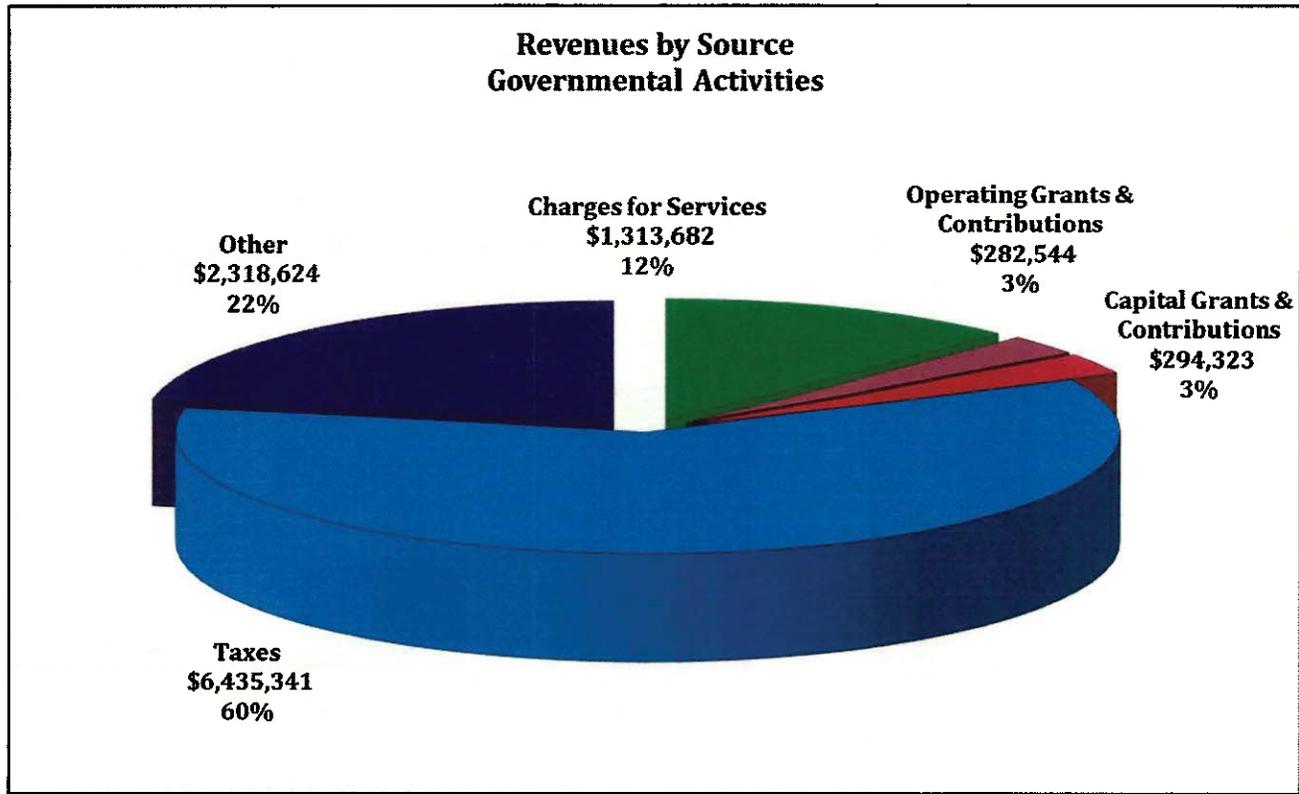
CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

Governmental activities expenses increased \$390,998 to \$12,434,894 from \$12,043,896 in the prior year. The most significant governmental activity expense is public safety which includes law enforcement \$4,423,878, fire control \$3,782,888, and building, zoning and planning \$331,430.

Overall, governmental activities decreased the City's net position by \$1,113,214.



CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)



Business-Type Activities

Total program revenues of the City's business-type activities were \$13,552,595, an increase of \$1,236,829 or 10% from the prior year. The increase is primarily due to an increase in water and wastewater charges for services and capital grants and contributions received due to hurricane damage. Total expenses were \$11,125,341, an increase of \$163,976 or 1.50% from the prior year.

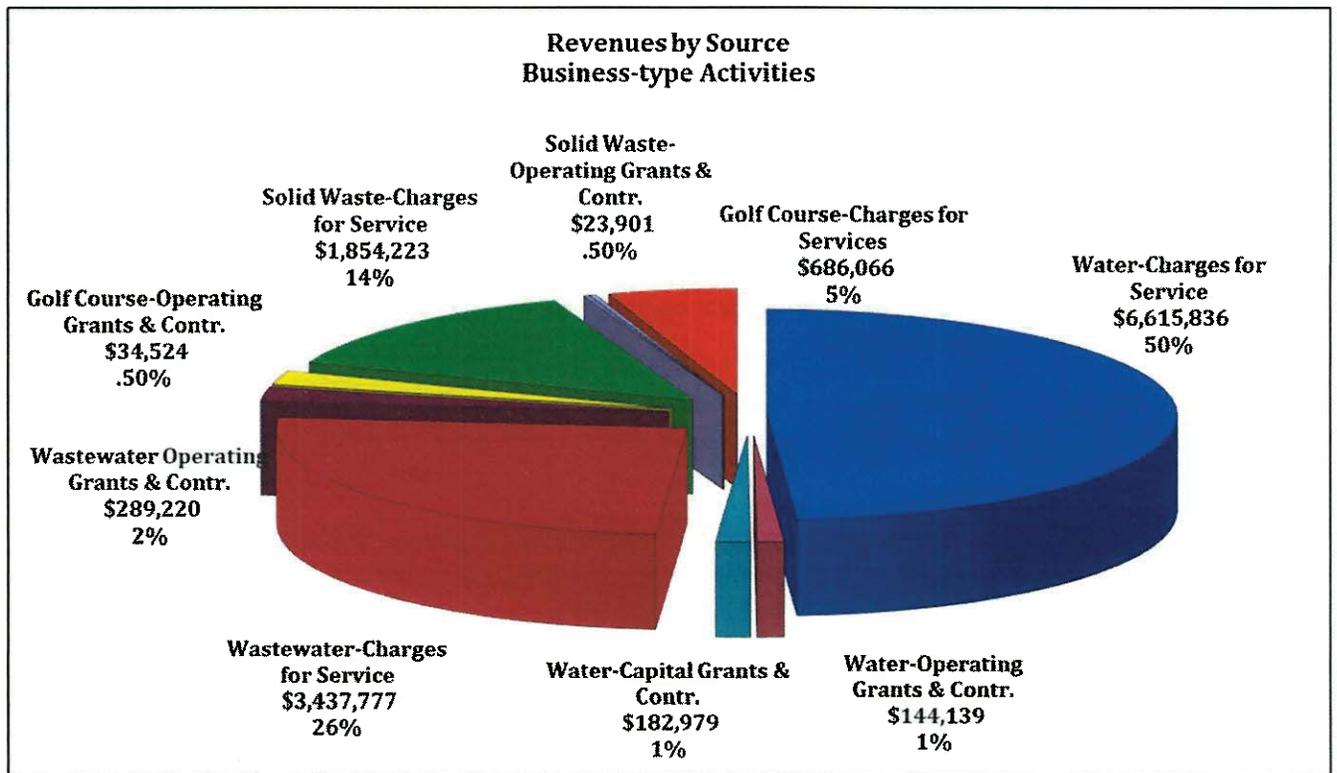
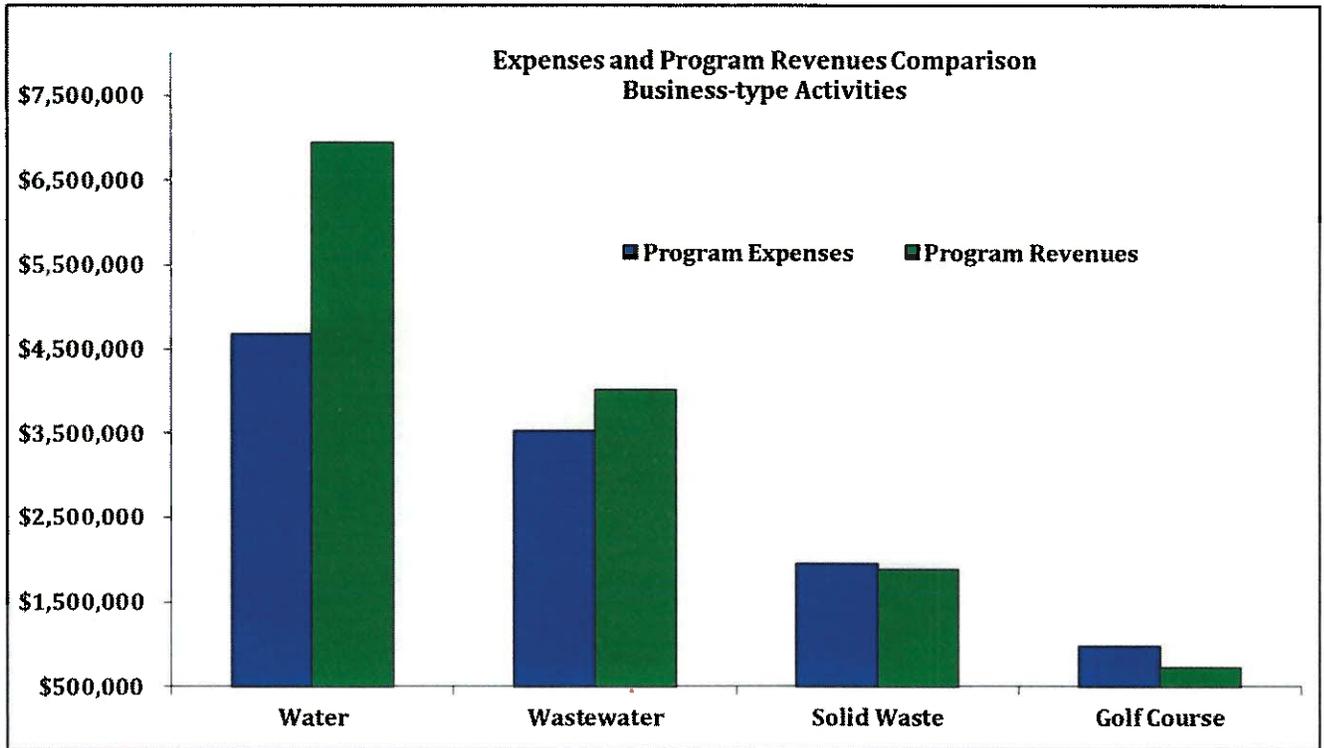
The Water & Wastewater Fund reflected an operating income of \$2,214,415, which was an increase from the prior year of \$402,540. After including non-operating revenues and expenses and transfers in/out, the change in net position was \$2,314,418.

The Solid Waste Fund reflected an operating loss of \$84,420 which was a decrease from the prior year of \$124,040. After including non-operating items, the solid waste operation reflected a total decrease in net position of \$234,954.

The Golf Course Fund reflected an operating loss of \$290,006, which was an increase from the prior year of \$47,042. After including other non-operating items and transfers in, the golf course operation reflected a total increase in net position of \$15,134.

Overall, business-type activities increased the City's net position by \$2,151,647, which was an increase of \$1,676,386 when compared to the prior year. The increase was primarily a result of an increase in operating income, an increase in capital contributions and a decrease in transfers out.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)



CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of September 30, 2019, the City's governmental funds reported combined ending fund balances of \$12,608,069, a decrease of \$21,233 in comparison with the prior year. Approximately forty-five percent (45%) of this total amount, \$5,703,571, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$6,904,498, is nonspendable, restricted or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At September 30, 2019, the unassigned fund balance of the General Fund was \$5,703,571, while the total fund balance was \$9,088,586. As a measure of the General Fund's liquidity it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents fifty-three (53%) of total General Fund expenditures, while total fund balance represents eighty-five percent (85%) of that same amount.

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

The total enterprise fund's net investment in capital assets increased \$1,481,301 and is primarily due to an increase in the Water and Wastewater Fund of \$1,281,510 and an increase in the Golf Course Fund of \$440,738. This increase was primarily from the City's purchase of vehicles, water and sewer line connections, extensions and improvements, and building improvements.

The total enterprise fund's unrestricted net position, increased \$670,027 and the change in net position increased \$2,094,598. This most significant element contributing to this increase was the City's decrease in transfers out of \$950,000 when compared to prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The change between the original and final budgetary appropriations for expenditures amounted to an increase of \$970,431. The change was primarily due to appropriating funds for hurricane related damages of \$58,115, a new fire engine \$462,593, a building purchase of \$165,000, police and fire equipment of \$49,828, contributions for playground equipment of \$80,000, and encumbrances rolled forward from the prior year of \$120,912.

Revenue budget to actual in the General Fund resulted in a \$1,066,098 positive variance, primarily due to a conservative approach for budgeting tax revenues.

Budget to actual expenditures show a \$1,232,831 positive variance (actual less than budget). This decrease was uniform through all departments, and reflects the continuation of a cost containment effort throughout the City.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019 amounts to \$52,477,523 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment, water system and sewer system.

Major capital projects completed during the current fiscal year include the following:

- Waterline Extensions
- Sewer Line Improvements and Extensions
- Vehicles - Police, Public Works, Administration and Utilities
- Fire Engine and Equipment
- Playground Equipment
- Golf Course Equipment
- Generators
- Paving, Curbing and Storm-water Projects
- Lift Station Improvements
- Manhole restoration

City of Sebring's Capital Assets (net of depreciation) as of September 30, 2019 and 2018						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,639,331	\$ 1,639,341	\$ 577,877	\$ 577,877	\$ 2,217,208	\$ 2,217,218
Buildings	2,528,714	2,485,781	958,770	679,060	3,487,484	3,164,841
Improvements other than bldg	1,910,885	2,191,992	-	-	1,910,885	2,191,992
Infrastructure	5,973,536	5,646,131	-	-	5,973,536	5,646,131
Equipment	1,266,824	1,348,841	2,686,187	3,051,110	3,953,011	4,399,951
Golf course improvements	-	-	344,013	167,804	344,013	167,804
Water system	-	-	19,249,452	20,350,718	19,249,452	20,350,718
Waste water system	-	-	14,266,074	14,425,097	14,266,074	14,425,097
Construction in progress	173,470	25,898	902,390	770,765	1,075,860	796,663
Total capital assets	\$ 13,492,760	\$ 13,337,984	\$ 38,984,763	\$ 40,022,431	\$ 52,477,523	\$ 53,360,415

Additional information on the City's capital assets and construction commitments can be found on pages 45-46 of the Notes to the Financial Statements in this report.

Long-Term Liabilities: At the end of the current fiscal year, the City had total long-term liabilities of \$23,382,374, which represents a decrease of \$665,046 compared to the prior year. This decrease is primarily due to City principal debt service payments on loans payable, a capital lease obligation, and a refunding note payable of \$2,327,504 and is offset by an increase of \$1,662,458 in the City's net pension liabilities to pension plans.

CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

CITY OF SEBRING'S LONG-TERM LIABILITIES

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Compensated Absences	\$ 295,031	\$ 302,066	\$ 101,476	\$ 113,156	\$ 396,507	\$ 415,222
Loan Payable	-	-	944,163	1,069,402	944,163	1,069,402
Other Post-Employment Benefits	718,783	709,439	176,773	171,225	895,556	880,664
Capital Lease Obligations	-	-	342,878	560,350	342,878	560,350
Refunding Note Payable	-	-	8,356,330	10,337,300	8,356,330	10,337,300
Landfill Closure	-	-	380,000	380,000	380,000	380,000
Net Pension Liabilities	9,574,394	8,180,801	2,492,546	2,223,681	12,066,940	10,404,482
	<u>\$ 10,588,208</u>	<u>\$ 9,192,306</u>	<u>\$ 12,794,166</u>	<u>\$ 14,855,114</u>	<u>\$ 23,382,374</u>	<u>\$ 24,047,420</u>

Additional information on the City's long-term debt can be found on pages 47-50 of the Notes to the Financial Statement in this report.

Next Year's Budgets:

In the 2020 fiscal year, the City has budgeted two transfers in for the General Fund one of \$500,000 from the Solid Waste Fund and the other is \$250,000 from the Water and Wastewater Fund. These transfers allow the City's General Fund to share in the profits of its Solid Waste Fund and Water and Wastewater Fund. In addition, the City's General Fund has budgeted a transfer out of \$236,703 to the Golf Course Fund for the purpose of providing needed working capital for operations that are not covered by budgeted revenues.

Requests for Information:

This financial report is designed to provide a general overview of the City of Sebring's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Sebring, 368 S. Commerce Ave., Sebring, FL 33870.

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CITY OF SEBRING, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 13,758,000	\$ 6,782,168	\$ 20,540,168	\$ 1,374,651
Receivables, net	610,582	595,053	1,205,635	-
Internal balances	(71,968)	71,968	-	-
Due from other governments	378,618	429,140	807,758	-
Inventory	-	491,117	491,117	-
Prepaid items	4,391	-	4,391	-
Deposit for equipment	556,741	-	556,741	-
Intangible asset	-	395,500	395,500	-
Restricted asset - cash and cash equivalents	-	2,126,375	2,126,375	-
Property held for resale	-	-	-	326,084
Capital assets:				
Non-depreciable	1,812,801	1,457,405	3,270,206	-
Depreciable, net	11,679,959	37,527,358	49,207,317	-
Total capital assets	13,492,760	38,984,763	52,477,523	-
Total Assets	28,729,124	49,876,084	78,605,208	1,700,735
Deferred Outflows of Resources				
Deferred outflows related to pensions	4,653,524	1,166,585	5,820,109	-
Deferred outflows related to OPEB	40,324	23,946	64,270	-
Deferred amount on refunding	-	203,194	203,194	-
Total Deferred Outflows of Resources	4,693,848	1,393,725	6,087,573	-
Liabilities				
Accounts payable	830,912	447,146	1,278,058	17,474
Accrued expenses	364,275	95,891	460,166	13,048
Accrued interest payable	-	53,633	53,633	-
Unearned revenues	307,406	132,811	440,217	-
Customer deposits	-	2,051,247	2,051,247	-
Long-term liabilities:				
Net pension liability	9,574,394	2,492,546	12,066,940	-
Due within one year	295,031	2,474,710	2,769,741	-
Due in more than one year	718,783	7,826,910	8,545,693	-
Total Liabilities	12,090,801	15,574,894	27,665,695	30,522
Deferred Inflows of Resources				
Deferred inflows related to pensions	570,318	437,332	1,007,650	-
Net Position				
Net investment in capital assets	13,448,928	29,292,546	42,741,474	-
Restricted for:				
Law enforcement	45,109	-	45,109	-
Debt service reserve	-	72,753	72,753	-
Infrastructure	3,519,483	-	3,519,483	-
Unrestricted	3,748,333	5,892,284	9,640,617	1,670,213
Total Net Position	\$ 20,761,853	\$ 35,257,583	\$ 56,019,436	\$ 1,670,213

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

CITY OF SEBRING, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Function/Program</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General government	\$ 1,278,432	\$ 135,432	\$ 18,425	\$ -
Public safety				
Law enforcement	4,423,878	237,466	9,722	21,404
Fire control	3,782,888	587,619	51,193	9,407
Building, zoning and planning	331,430	252,616	-	-
Physical environment	122,681	32,230	-	-
Transportation	1,505,511	48,269	88,169	92,073
Economic environment	324,197	-	5,000	-
Culture and recreation	665,877	20,050	110,035	171,439
Total Government Activities	<u>12,434,894</u>	<u>1,313,682</u>	<u>282,544</u>	<u>294,323</u>
Business-type Activities				
Water	4,679,794	6,615,836	144,139	182,979
Wastewater	3,526,411	3,437,777	289,220	283,930
Solid waste	1,947,231	1,854,223	23,901	-
Golf course	971,905	686,066	34,524	-
Total Business-type Activities	<u>11,125,341</u>	<u>12,593,902</u>	<u>491,784</u>	<u>466,909</u>
Total Primary Government	<u>\$ 23,560,235</u>	<u>\$ 13,907,584</u>	<u>\$ 774,328</u>	<u>\$ 761,232</u>
Component Unit				
Community Redevelopment Agency	<u>\$ 571,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes
 - Ad-valorem taxes
 - Tax increment from City/County
 - Fuel taxes
 - Infrastructure surtax
 - Utility and communication services
 - Other taxes
- Franchise fees
- Intergovernmental - unrestricted
- Investment earnings
- Miscellaneous
- Gain from insurance recoveries
- Total General Revenues**

Transfers

Change in Net Position

Net Position, beginning of year

Net Position, end of year

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

Net (Expense) Revenue and Changes In Net Position

<u>Primary Government</u>			<u>Component</u>
<u>Governmental</u>	<u>Business-type</u>		<u>Unit</u>
<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Community</u>
			<u>Redevelopment</u>
			<u>Agency</u>
\$ (1,124,575)	\$ -	\$ (1,124,575)	\$ -
(4,155,286)	-	(4,155,286)	-
(3,134,669)	-	(3,134,669)	-
(78,814)	-	(78,814)	-
(90,451)	-	(90,451)	-
(1,277,000)	-	(1,277,000)	-
(319,197)	-	(319,197)	-
(364,353)	-	(364,353)	-
<u>(10,544,345)</u>	<u>-</u>	<u>(10,544,345)</u>	<u>-</u>
-	2,263,160	2,263,160	-
-	484,516	484,516	-
-	(69,107)	(69,107)	-
-	<u>(251,315)</u>	<u>(251,315)</u>	<u>-</u>
-	2,427,254	2,427,254	-
<u>(10,544,345)</u>	<u>2,427,254</u>	<u>(8,117,091)</u>	<u>-</u>
			<u>(571,426)</u>
3,041,631	-	3,041,631	-
-	-	-	832,346
440,769	-	440,769	-
1,147,223	-	1,147,223	-
1,748,879	-	1,748,879	-
56,839	-	56,839	-
990,401	-	990,401	-
919,525	-	919,525	-
342,791	135,872	478,663	42,721
24,997	33,406	58,403	-
40,910	-	40,910	-
<u>8,753,965</u>	<u>169,278</u>	<u>8,923,243</u>	<u>875,067</u>
<u>677,166</u>	<u>(444,885)</u>	<u>232,281</u>	<u>(232,281)</u>
<u>(1,113,214)</u>	<u>2,151,647</u>	<u>1,038,433</u>	<u>71,360</u>
<u>21,875,067</u>	<u>33,105,936</u>	<u>54,981,003</u>	<u>1,598,853</u>
<u>\$ 20,761,853</u>	<u>\$ 35,257,583</u>	<u>\$ 56,019,436</u>	<u>\$ 1,670,213</u>

CITY OF SEBRING, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Infrastructure Fund</u>	<u>Non-major (CDBG)</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 8,990,450	\$ 3,431,964	\$ -	\$ 12,422,414
Receivables, net	250,061	-	-	250,061
Due from other funds	5,000	-	-	5,000
Due from other governments	255,448	118,170	5,000	378,618
Prepaid items	2,466	1,925	-	4,391
Deposit for equipment	556,741	-	-	556,741
Total Assets	<u>\$ 10,060,166</u>	<u>\$ 3,552,059</u>	<u>\$ 5,000</u>	<u>\$ 13,617,225</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 428,012	\$ 32,576	\$ -	\$ 460,588
Accrued expenditures	209,700	-	-	209,700
Due to other funds	-	-	5,000	5,000
Unearned revenues	300,381	-	-	300,381
Total Liabilities	<u>938,093</u>	<u>32,576</u>	<u>5,000</u>	<u>975,669</u>
Deferred Inflows of Resources				
Revenues not yet available	33,487	-	-	33,487
Fund Balances				
Nonspendable				
Prepaid items	2,466	-	-	2,466
Deposit for equipment	556,741	-	-	556,741
Restricted				
Law enforcement	45,109	-	-	45,109
Infrastructure	-	3,519,483	-	3,519,483
Assigned				
Cemetery care	1,042,004	-	-	1,042,004
Subsequent years budget	1,738,695	-	-	1,738,695
Unassigned	5,703,571	-	-	5,703,571
Total Fund Balances	<u>9,088,586</u>	<u>3,519,483</u>	<u>-</u>	<u>12,608,069</u>
Total Liabilities and Fund Balances	<u>\$ 10,060,166</u>	<u>\$ 3,552,059</u>	<u>\$ 5,000</u>	<u>\$ 13,617,225</u>

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

CITY OF SEBRING, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Fund Balances - Total Governmental Funds	\$ 12,608,069
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and therefore are not reported in the funds.	
Deferred outflows related to pensions	4,653,524
Deferred outflows related to OPEB	40,324
Deferred inflows related to pensions	(570,318)
Net position of the Internal Service Funds that are included in governmental activities in the statement of net position	1,092,215
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:	
Capital assets, non-depreciable	1,812,801
Capital assets, depreciable - net	11,679,959
Revenues in the statement of activities that are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds	33,487
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(9,574,394)
Due within one year	(295,031)
Due in more than one year	(718,783)
Net Position of Governmental Activities	<u>\$ 20,761,853</u>

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

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Infrastructure Fund	Non-major (CDBG)	Total Governmental Funds
Revenues				
Taxes	\$ 5,288,118	\$ 1,147,223	\$ -	\$ 6,435,341
Permits, fees and special assessments	1,786,249	-	-	1,786,249
Intergovernmental	1,524,148	-	5,000	1,529,148
Charges for services	285,273	-	-	285,273
Fines and forfeitures	105,335	-	-	105,335
Investment earnings	267,877	74,914	-	342,791
Miscellaneous	82,442	2,287	-	84,729
Total Revenues	<u>9,339,442</u>	<u>1,224,424</u>	<u>5,000</u>	<u>10,568,866</u>
Expenditures				
Current				
General government	920,619	-	-	920,619
Public safety				
Law enforcement	3,812,223	-	-	3,812,223
Fire control	2,976,324	-	-	2,976,324
Building, zoning and planning	310,897	-	-	310,897
Physical environment	40,210	-	-	40,210
Transportation	1,148,583	-	-	1,148,583
Economic environment	319,197	-	5,000	324,197
Culture and recreation	535,259	-	-	535,259
Capital outlay	624,057	539,061	-	1,163,118
Total Expenditures	<u>10,687,369</u>	<u>539,061</u>	<u>5,000</u>	<u>11,231,430</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,347,927)</u>	<u>685,363</u>	<u>-</u>	<u>(662,564)</u>
Other Financing Sources (Uses)				
Insurance proceeds	40,910	-	-	40,910
Transfers in	730,736	-	-	730,736
Transfers out	(130,315)	-	-	(130,315)
Total Other Financing Sources (Uses)	<u>641,331</u>	<u>-</u>	<u>-</u>	<u>641,331</u>
Net Change in Fund Balances	(706,596)	685,363	-	(21,233)
Fund Balances, beginning of year	9,795,182	2,834,120	-	12,629,302
Fund Balances, end of year	<u>\$ 9,088,586</u>	<u>\$ 3,519,483</u>	<u>\$ -</u>	<u>\$ 12,608,069</u>

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

CITY OF SEBRING, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (21,233)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues that will not be collected within sixty days after the City's fiscal year end are not considered "available" revenues, and are not recognized in the governmental funds	
Deferred inflows recognized in prior years in the statement of activities	(3,849)
Deferred inflows recognized in the current year in the statement of activities	33,487
Unallocated overcharges by Internal Service Funds that have not been recognized as reductions to expenditures in the governmental funds.	
	37,076
Capital assets donated into governmental activities do not provide a current financial resource and are not recognized as revenue in the governmental funds. However, these amounts are reported as a revenue on the statement of activities.	
Capital assets received as donations and reported as program revenue	5,100
Capital asset improvements paid by component unit	201,545
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Expenditures for capital assets that were capitalized	1,050,952
The current year changes in the net pension liability and the related deferred inflows and outflows of resources increases net pension expense of pensionable functions on the statement of activities	
	(1,351,486)
The current year changes in the net OPEB liability and the related deferred outflows of resources decreases net expenses of pensionable functions on the statement of activities	
	30,980
Certain expenses reported in the statement of activities do not require the use of current financial resources. Therefore, the following expenditures are not recognized in governmental funds.	
Depreciation expense	(1,102,440)
Remaining net book value of capital assets on disposition	(381)
Net decrease in compensated absences	7,035
Change in Net Position of Governmental Activities	\$ (1,113,214)

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

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final
	Original	Final		
Revenues				
Taxes	\$ 5,160,055	\$ 5,160,055	\$ 5,288,118	\$ 128,063
Permits, fees, and special assessments	1,484,415	1,484,415	1,786,249	301,834
Intergovernmental	1,128,644	1,208,644	1,524,148	315,504
Charges for services	211,731	211,731	285,273	73,542
Fines and forfeitures	101,500	101,500	105,335	3,835
Investment earnings	50,000	50,000	267,877	217,877
Miscellaneous	15,300	56,999	82,442	25,443
Total Revenues	8,151,645	8,273,344	9,339,442	1,066,098
Expenditures				
Current:				
General government	1,007,179	947,037	920,619	26,418
Public safety:				
Law enforcement	3,938,835	3,918,571	3,812,223	106,348
Fire control	2,978,113	2,986,022	2,976,324	9,698
Building, zoning and planning	316,831	329,831	310,897	18,934
Physical environment	44,432	44,432	40,210	4,222
Transportation	1,157,235	1,162,255	1,148,583	13,672
Economic environment	319,197	319,197	319,197	-
Culture and recreation	530,118	677,511	535,259	142,252
Capital outlay	657,829	1,535,344	624,057	911,287
Total Expenditures	10,949,769	11,920,200	10,687,369	1,232,831
Excess (Deficiency) of Revenues Over Expenditures	(2,798,124)	(3,646,856)	(1,347,927)	2,298,929
Other Financing Sources (Uses)				
Insurance proceeds	-	12,034	40,910	28,876
Transfers in	1,250,000	1,250,000	730,736	(519,264)
Transfers out	(121,597)	(130,315)	(130,315)	-
Total Other Financing Sources (Uses)	1,128,403	1,131,719	641,331	(490,388)
Net Change in Fund Balances	(1,669,721)	(2,515,137)	(706,596)	1,808,541
Fund Balances, beginning of year	9,795,182	9,795,182	9,795,182	-
Fund Balances, end of year	\$ 8,125,461	\$ 7,280,045	\$ 9,088,586	\$ 1,808,541

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

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - INFRASTRUCTURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,080,865	\$ 1,080,865	\$ 1,147,223	\$ 66,358
Investment earnings	30,000	30,000	74,914	44,914
Miscellaneous	-	-	2,287	2,287
Total Revenues	<u>1,110,865</u>	<u>1,110,865</u>	<u>1,224,424</u>	<u>113,559</u>
Expenditures				
Capital outlay	1,790,000	1,989,372	539,061	1,450,311
Total Expenditures	<u>1,790,000</u>	<u>1,989,372</u>	<u>539,061</u>	<u>1,450,311</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(679,135)</u>	<u>(878,507)</u>	<u>685,363</u>	<u>1,563,870</u>
Net Change in Fund Balances	(679,135)	(878,507)	685,363	1,563,870
Fund Balances, beginning of year	2,834,120	2,834,120	2,834,120	-
Fund Balances, end of year	<u>\$ 2,154,985</u>	<u>\$ 1,955,613</u>	<u>\$ 3,519,483</u>	<u>\$ 1,563,870</u>

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

CITY OF SEBRING, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Enterprise Funds			Total	Internal Service Funds
	Water & Wastewater	Solid Waste	Non-major (Golf Course)		
Assets					
Current Assets					
Cash and cash equivalents	\$ 4,464,474	\$ 1,819,273	\$ 498,421	\$ 6,782,168	\$ 1,335,586
Receivables, net	548,463	46,590	-	595,053	360,521
Due from other governments	413,499	5,146	10,495	429,140	-
Inventory	481,963	-	9,154	491,117	-
Intangible asset	395,500	-	-	395,500	-
Total Current Assets	6,303,899	1,871,009	518,070	8,692,978	1,696,107
Noncurrent Assets					
Restricted asset - cash and cash equivalents	2,126,375	-	-	2,126,375	-
Capital assets, net	36,944,041	943,791	1,096,931	38,984,763	-
Total Noncurrent Assets	39,070,416	943,791	1,096,931	41,111,138	-
Total Assets	45,374,315	2,814,800	1,615,001	49,804,116	1,696,107
Deferred Outflows of Resources					
Deferred outflows related to pensions	798,215	209,170	159,200	1,166,585	-
Deferred outflows related to OPEB	16,261	4,356	3,329	23,946	-
Deferred cost on refunding	203,194	-	-	203,194	-
Total Deferred Outflows of Resources	1,017,670	213,526	162,529	1,393,725	-
Liabilities					
Current Liabilities					
Accounts payable	353,994	64,496	28,656	447,146	370,324
Accrued expenses	64,162	14,785	16,944	95,891	154,575
Accrued interest payable	51,258	-	-	51,258	-
Unearned revenue	85,313	2,542	44,956	132,811	7,025
Compensated absences payable	71,312	13,131	17,033	101,476	-
Long-term debt - current	2,373,234	-	-	2,373,234	-
Current Liabilities Payable From Restricted Assets					
Accrued interest	2,375	-	-	2,375	-
Customer deposits	2,051,247	-	-	2,051,247	-
Total Current Liabilities	5,052,895	94,954	107,589	5,255,438	531,924
Noncurrent Liabilities					
Other postemployment benefits	121,449	31,406	23,918	176,773	-
Net pension liability	1,712,610	445,908	334,028	2,492,546	-
Landfill closure	-	380,000	-	380,000	-
Long-term debt	7,270,137	-	-	7,270,137	-
Total Noncurrent Liabilities	9,104,196	857,314	357,946	10,319,456	-
Total Liabilities	14,157,091	952,268	465,535	15,574,894	531,924
Deferred Inflows of Resources					
Deferred inflows related to pensions	316,736	66,082	54,514	437,332	-
Net Position					
Net investment in capital assets	27,251,824	943,791	1,096,931	29,292,546	-
Restricted for debt service (expendable)	72,753	-	-	72,753	-
Unrestricted	4,593,581	1,066,185	160,550	5,820,316	1,164,183
Total Net Position	\$ 31,918,158	\$ 2,009,976	\$ 1,257,481	35,185,615	\$ 1,164,183

Some amounts reported for business-type activities in the statement of net position are different because of unallocated overcharges by the Internal Service Funds.

Net Position of Business-type Activities 71,968

\$ 35,257,583

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Funds			Total	Internal Service Funds
	Water & Wastewater	Solid Waste	Non-major (Golf Course)		
Operating Revenues					
Charges for service	\$ 9,595,696	\$ 1,832,714	\$ 625,102	\$ 12,053,512	\$ 3,318,740
Miscellaneous revenue	491,323	21,509	60,964	573,796	-
Total Operating Revenues	<u>10,087,019</u>	<u>1,854,223</u>	<u>686,066</u>	<u>12,627,308</u>	<u>3,318,740</u>
Operating Expenses					
Employee compensation and benefits	2,515,525	698,815	576,477	3,790,817	-
General and administrative	382,093	164,427	103,259	649,779	12,646
Professional	88,886	5,000	3,131	97,017	68,954
Landfill fees	-	481,578	-	481,578	-
Insurance	279,287	46,732	25,206	351,225	1,069,736
Repairs, maintenance and supplies	1,608,383	268,256	154,983	2,031,622	-
Claims expense	-	-	-	-	2,093,342
Utilities	589,394	2,827	37,345	629,566	-
Depreciation	2,409,036	271,008	75,671	2,755,715	-
Total Operating Expenses	<u>7,872,604</u>	<u>1,938,643</u>	<u>976,072</u>	<u>10,787,319</u>	<u>3,244,678</u>
Operating Income (Loss)	<u>2,214,415</u>	<u>(84,420)</u>	<u>(290,006)</u>	<u>1,839,989</u>	<u>74,062</u>
Nonoperating Revenues (Expenses)					
Investment earnings	74,845	45,526	15,501	135,872	20,063
Connection fees	275,006	-	-	275,006	-
Grant revenue - FEMA	433,359	23,901	34,524	491,784	-
Loss on disposal of assets	-	(19,961)	-	(19,961)	-
Interest expense	(333,268)	-	-	(333,268)	-
Amortization expense	(41,842)	-	-	(41,842)	-
Total Nonoperating Revenues (Expenses)	<u>408,100</u>	<u>49,466</u>	<u>50,025</u>	<u>507,591</u>	<u>20,063</u>
Income (Loss) before Capital Contributions and Transfers	<u>2,622,515</u>	<u>(34,954)</u>	<u>(239,981)</u>	<u>2,347,580</u>	<u>94,125</u>
Capital contributions	191,903	-	124,800	316,703	-
Transfers in	-	-	130,315	130,315	-
Transfers out	(500,000)	(200,000)	-	(700,000)	-
Change in Net Position	<u>2,314,418</u>	<u>(234,954)</u>	<u>15,134</u>	<u>2,094,598</u>	<u>94,125</u>
Total Net Position, beginning of year	<u>29,603,740</u>	<u>2,244,930</u>	<u>1,242,347</u>	<u>33,091,017</u>	<u>1,070,058</u>
Total Net Position, end of year	<u>\$ 31,918,158</u>	<u>\$ 2,009,976</u>	<u>\$ 1,257,481</u>	<u>\$ 35,185,615</u>	<u>\$ 1,164,183</u>
Change in Net Position - Enterprise Funds				\$ 2,094,598	
Some amounts reported for business-type activities in the statement of activities are different because of unallocated overcharges by the Internal Service Funds.				57,049	
Change in Net Position of Business-type Activities				<u>\$ 2,151,647</u>	

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

CITY OF SEBRING, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Funds			Total	Internal Service Fund
	Water & Wastewater	Solid Waste	Non-major (Golf Course)		
Cash Flows From Operating Activities:					
Cash received from customers and users	\$ 10,285,506	\$ 1,881,399	\$ 695,699	\$ 12,862,604	\$ -
Cash received from interfund services	-	-	-	-	3,300,251
Cash received from insurance	-	-	-	-	691,928
Cash payments to suppliers and claims	(2,924,175)	(961,125)	(366,614)	(4,251,914)	(3,998,404)
Cash payments for employee services	(2,350,306)	(636,466)	(536,875)	(3,523,647)	-
Net cash provided (used) by operating activities	<u>5,011,025</u>	<u>283,808</u>	<u>(207,790)</u>	<u>5,087,043</u>	<u>(6,225)</u>
Cash Flows From Noncapital Financing Activities:					
Cash received from operating grants	26,573	21,300	24,029	71,902	-
Transfer to other funds	(500,000)	(200,000)	-	(700,000)	-
Transfer from other funds	-	-	130,315	130,315	-
Net cash provided (used) by noncapital financing activities	<u>(473,427)</u>	<u>(178,700)</u>	<u>154,344</u>	<u>(497,783)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(1,174,962)	(69,135)	(516,409)	(1,760,506)	-
Proceeds from sale of capital asset	-	19,113	-	19,113	-
Principal paid on long-term debt	(2,323,981)	-	-	(2,323,981)	-
Interest paid	(245,908)	-	-	(245,908)	-
Transfer from other funds for capital assets	-	-	124,800	124,800	-
Connection fees and capital contributions	359,606	-	-	359,606	-
Net cash used by capital and related financing activities	<u>(3,385,245)</u>	<u>(50,022)</u>	<u>(391,609)</u>	<u>(3,826,876)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest on investments	74,845	45,526	15,501	135,872	20,063
Net cash provided by investing activities	<u>74,845</u>	<u>45,526</u>	<u>15,501</u>	<u>135,872</u>	<u>20,063</u>
Net Increase (Decrease) In Cash and Cash Equivalents	1,227,198	100,612	(429,554)	898,256	13,838
Cash and Cash Equivalents, beginning of year	5,363,651	1,718,661	927,975	8,010,287	1,321,748
Cash and Cash Equivalents, end of year	<u>\$ 6,590,849</u>	<u>\$ 1,819,273</u>	<u>\$ 498,421</u>	<u>\$ 8,908,543</u>	<u>\$ 1,335,586</u>

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

CITY OF SEBRING, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Continued)

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

	Enterprise Funds			Total	Internal Service Fund
	Water & Wastewater	Solid Waste	Non-major (Golf Course)		
Operating Income (Loss)	\$ 2,214,415	\$ (84,420)	\$ (290,006)	\$ 1,839,989	\$ 74,062
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	2,409,036	271,008	75,671	2,755,715	-
Changes in assets and liabilities:					
Decrease in accounts receivable	109,503	5,285	1,325	116,113	299,159
Decrease in due from other government	13,809	21,891	-	35,700	-
Decrease in inventory	40,912	-	248	41,160	-
Decrease in deferred outflows related to pensions	104,794	8,550	18,965	132,309	-
(Increase) in deferred outflows related to OPEB	(16,261)	(4,356)	(3,329)	(23,946)	-
Increase (Decrease) in accounts payable	(11,044)	7,695	(38,291)	(41,640)	(514,151)
Increase (Decrease) in accrued expenses	7,608	102	(4,399)	3,311	129,575
Increase in unearned revenue	-	-	8,060	8,060	5,130
Increase (Decrease) in compensated absences	(9,362)	(4,452)	2,134	(11,680)	-
Increase in customer deposits	69,175	-	-	69,175	-
Increase in OPEB liability	3,768	1,009	771	5,548	-
Increase in net pension liability	158,697	75,560	34,608	268,865	-
(Decrease) in deferred inflows related to pensions	(84,025)	(14,064)	(13,547)	(111,636)	-
Total adjustments	2,796,610	368,228	82,216	3,247,054	(80,287)
Net cash provided (used) by operating activities	<u>\$ 5,011,025</u>	<u>\$ 283,808</u>	<u>\$ (207,790)</u>	<u>\$ 5,087,043</u>	<u>\$ (6,225)</u>
Cash and Cash Equivalents Reconciliation:					
Cash and Cash Equivalents	\$ 4,464,474	\$ 1,819,273	\$ 498,421	\$ 6,782,168	\$ 1,335,586
Restricted Assets - Cash and Cash Equivalents	2,126,375	-	-	2,126,375	-
Cash and Cash Equivalents, end of year	<u>\$ 6,590,849</u>	<u>\$ 1,819,273</u>	<u>\$ 498,421</u>	<u>\$ 8,908,543</u>	<u>\$ 1,335,586</u>

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

CITY OF SEBRING, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	Pension Trust Fund
Assets	
Cash and cash equivalents	\$ 501,086
Receivables:	
Interest and dividends	73,703
Partnership distribution	12,418
Other	2,632
Investments, at fair value:	
U.S. government obligations	1,942,933
U.S. federal agency obligations	569,475
Mortgage backed securities	1,372,155
Collateralized mortgage obligations	217,935
Municipal obligations	23,528
Corporate bonds	6,272,558
Common stock	5,338,722
Mutual funds - equities	12,961,327
Real estate partnership	2,072,731
Total Investments	30,771,364
Total Assets	31,361,203
Liabilities	
Accounts payable	21,828
Total Liabilities	21,828
Net Position Restricted for Pensions	\$ 31,339,375

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

CITY OF SEBRING, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Pension Trust Fund</u>
Additions	
Contributions:	
City	\$ 1,112,346
Plan members	76,084
Total contributions	<u>1,188,430</u>
Investment income:	
Net appreciation in fair value of investments	635,141
Interest and dividends	808,433
Other	23,825
Total investment income	<u>1,467,399</u>
Less investment expenses	<u>(146,247)</u>
Net investment income	<u>1,321,152</u>
Total Additions	<u>2,509,582</u>
Deductions	
Payments to retirees and participants	1,547,897
Refund of contributions	100,245
Administration expenses	81,293
Total Deductions	<u>1,729,435</u>
Net Increase in Net Position	<u>780,147</u>
Net Position Restricted for Pensions:	
Beginning of year	<u>30,559,228</u>
End of year	<u>\$ 31,339,375</u>

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

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CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies and presentation of the financial report of the City of Sebring, Florida (the “City”) conforms to accounting principles generally accepted in the United States of America as applicable to local governments. This report, the accounting systems, and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB).

The following summary of the City’s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

A. Reporting Entity

The City, a municipality of the State of Florida, is located in Highlands County, is approximately sixteen square miles in area, and was incorporated in 1925. The City provides public safety, public works, recreation, and general governmental services to approximately 10,800 residents. The City also provides water, wastewater and sanitation services to its residents for a user charge. Additionally, the City operates and maintains a cemetery. The City Council is comprised of the Mayor and five City Council members.

As required by accounting principles generally accepted in the United States, these financial statements present the City and its component unit for which the government is considered financially accountable. The component unit discussed in the following paragraph is included in the City’s reporting entity because of the significance of its operational and financial relationship with the City.

Discretely Presented Component Unit:

The Community Redevelopment Agency (the “Agency”), is legally separate, and is responsible for the redevelopment of defined areas within the city limits. The Agency is governed by a seven-member board, which is appointed by the City Council. The City and County are obligated to pay the Agency any tax revenues relating to an increase in the assessed value of property within the redevelopment areas. During the current year, the City paid the Agency \$319,197, which represents its portion of the incremental increase in ad valorem taxes. The Agency is presented in a separate column in the government-wide statements to emphasize they are legally separate from the primary government.

B. Related Organizations

The City Council is also responsible for appointing board members of the Sebring Airport Authority (the “Authority”) from individuals nominated to the board by the Authority, but the City’s accountability for this organization does not extend beyond making the appointments and therefore, it is not a component unit.

C. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the City as a whole, except for its fiduciary activities. These statements include the financial activities of the primary government and the City's discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges incurred between the City's water, wastewater, and solid waste functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities demonstrates the degree to which direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or individuals who purchase, use, or directly benefit from goods, services or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. These fund financial statements are in addition to the government-wide financial statements.

Fund Financial Statement Presentation:

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds; each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures or expenses as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party, pension participants, and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Governmental Major Fund:

General Fund – This fund is the City’s primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property and utilities service taxes, franchises, licenses and permits, intergovernmental revenue, and charges for services. Expenditures are incurred to provide public safety, general government, public works, recreation, and the operation of its cemetery.

Infrastructure Fund – This special revenue fund accounts for the voted one cent local option sales surtax. The proceeds for this surtax may only be expended on assets specified by statutes.

Governmental Non-Major Fund:

Community Development Block Grant (CDBG) Fund – This special revenue fund is used to account for the proceeds of certain revenue sources that are legally restricted for expenditure of specific purposes. The City has established the Community Development Block Grant Fund, which is used to account for a federal grant passed through the State of Florida used for neighborhood revitalization.

Proprietary Major Funds:

Water and Wastewater Fund - This fund accounts for the operation of water and wastewater services to customers within the service area.

Solid Waste Fund - This fund accounts for the operations of the City’s sanitation and landfill to customers within the city limits.

Proprietary Non-Major Fund:

Golf Course Fund – This fund accounts for the operations of the Sebring Municipal Golf Course.

Internal Service Funds – These funds account for the activities of the City’s self-insured health insurance plan and property and casualty risk management insurance plan.

Fiduciary Funds:

Pension Trust Funds – These funds account for financial activity of the pension plans for policemen and firemen of the City. The City’s Pension Trust Funds are the Municipal Firefighters’ Pension Plan and the Police Officers’ Retirement Trust Fund. Each plan is administered by a board of trustees.

D. Measurement Focus and Basis of Accounting

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

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

The governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they are both “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days after year-end. Property taxes, utility taxes, franchise fees, and interest earnings are susceptible to accrual.

Intergovernmental revenues collected and held by other governments are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditures are recognized in the accounting period in which the fund liability is incurred except for un-matured interest on general long-term debt which is recognized when due.

Proprietary funds are reported using the economic resources measurement focus and use the accrual basis of accounting. Operating revenues and expenses of the proprietary funds are defined revenues or expenses related to the provision of the applicable service. Nonoperating revenues and expenses include items unrelated to the provision of services.

In the proprietary funds, when both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed. In the governmental funds, when an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Fiduciary funds are reported using the economic resources measurement focus and use the accrual basis of accounting. Under this method revenues and plan member contributions are recognized when due and there is a formal commitment to provide the contributions. Expenses are recognized when they are incurred. Benefits and refunds are recognized when due and payable in accordance with terms of each plan.

E. Budgetary Information

An annual budget was prepared for the General Fund and Infrastructure Fund on a basis consistent with the modified accrual basis of accounting. In addition, the City budgeted for activity related to Harder Hall as a separate special revenue fund. However, Generally Accepted Accounting Principles (GAAP) requires the inclusion of this fund with the General Fund for financial reporting purposes, since it does not meet the criteria to be treated as a separate fund. Therefore, the activity for Harder Hall is reflected as a reconciling difference from a GAAP basis to a budgetary basis.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund shown in the basic financial statements, present comparisons of the legally adopted budget, as amended, with actual results for the General Fund. The originally adopted budget is presented for purposes of comparison to the final, amended budget. The City Council amended the budget of the General Fund by resolution. These amendments provided for additional budgetary appropriations in the amount of \$979,149. Of this amount, \$845,416 was financed by fund balance reserves, with the remaining \$133,733 financed by additional budgeted revenues.

The City also adopts an operating budget for its Enterprise Funds on a modified accrual basis which is not the same basis of accounting as that used to account for actual results of operations (accrual basis). The primary differences between the budgetary basis and the basis used to account for the results of operations are that the City budgets capital outlays and debt service transfers, which includes principal payments. Additionally, the City does not budget depreciation or amortization expense.

Budgets are prepared for the Pension Trust Funds by the board of trustees.

The level of budgetary control is at the department level due to City Council’s required approval of budget transfers between departments.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Enterprise Funds. Encumbrances are not the equivalent of expenditures and lapse at year end. However, since the City intends to honor contracts in progress at year end, the encumbrances are re-appropriated as a reduction against the following year’s budget.

F. Reconciliation of Government-wide and Fund Financial Statements

Explanation of differences between the Governmental Funds Balance Sheet and the Governmental Activities Statement of Net Position:

“Total” fund balances of the City’s governmental funds of \$12,608,069 differ from “net position” of governmental activities, \$20,761,853, reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Explanation of differences between the Governmental Funds, Operating Statement and the Statement of Activities:

The “net change in fund balances” for governmental funds, a decrease of \$21,233 differs from the “change in net position” for governmental activities, a decrease of \$1,113,214, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Explanation of differences between the Enterprise Funds Statement of Net Position and the Business-type Activities Statement of Net Position of \$71,968 and the Enterprise Funds Statement of Revenues, Expenses and Changes in Fund Net Position and the Business-type Activities Statement of Activities of \$57,049:

The difference is from unallocated overcharges by the Internal Service Funds that are included in the business-type activities.

G. Reclassification and Eliminations

The increase in net position of \$94,125, for the Internal Service Funds was eliminated in the Government-wide Statement of Activities by decreasing expenses in the governmental activities \$37,096 and by decreasing expenses in the business-type activities by \$57,049.

H. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the City considers cash and cash equivalents to be cash on hand, cash in banks, and short term investments with maturities less than three months when acquired, including restricted assets.

I. Investments

Investments are stated at fair value, except for short-term investments, which are stated at amortized cost. Fair value is based on the price that would be received to sell an investment in an orderly transaction between market participants.

J. Receivables

Receivables are shown at their net realizable value and reduced by an allowance for those uncollectible accounts, where determined by management. Uncollectible accounts are those 120 days old and greater.

K. Inventories

Inventories are stated at cost, which is not in excess of market. Cost is determined on a weighted average method for the Water and Wastewater Fund, and a specific identification method for the Golf Course Fund.

L. Intangible Assets

On April 1, 1993, the City purchased its water system from Sebring Utilities Commission. The amount that the purchase price and liabilities assumed exceeded the fair market value of assets acquired was recorded as an intangible asset. This intangible asset at acquisition amounted to \$1,372,779 and is being amortized on a straight-line basis over a 37-year period, which approximates the acquired assets' remaining useful life.

On January 3, 2001, the City purchased the assets of Heartland Utilities, Inc. for \$1,175,000. The intangible asset from this acquisition amounted to \$94,796 and is being amortized over a 20 year period.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

The total unamortized balance for these two intangible assets at September 30, 2019, is \$395,500 and is comprised of \$389,576 from the Sebring Utilities Commission purchase and \$5,924 from the Heartland Utilities, Inc. water asset purchase.

M. Capital Assets

Capital assets include land, buildings, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, and similar subsystems), and are carried at historical cost. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Contributed assets are recorded at fair market value as of the date received. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest is capitalized on Enterprise Fund assets during the period of construction. The amount of interest to be capitalized related to tax exempt borrowings is limited to the amount of interest expense incurred from the date of the borrowing less the interest earned on invested proceeds. No interest was capitalized for the year ended September 30, 2019.

Depreciation is provided and is computed on the straight-line method over the estimated useful lives of the assets which are as follows:

Buildings.....	40 years
Plants and Improvements Other than Buildings	5 to 40 years
Equipment.....	4 to 10 years
Stormwater Systems/Retention Ponds	25 years
Streets, Street Lights, Sidewalks, and Parking Lots	40 years

N. Deferred Outflows / Deferred Inflows of Resources

The City has multiple items that qualify for reporting as deferred outflows of resources, one of which is reported in the government-wide and proprietary funds statement of net position. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows related to pensions and OPEB include changes in actuarial assumptions, net difference between projected and actual earnings on pension plan and OPEB investments, changes in proportion and differences between the City’s contributions and proportionate share of contributions, and the City’s contributions subsequent to the measurement date that the City uses for reporting its net pension liability. These amounts will be recognized as either an increase in pension or OPEB expense or a reduction in net pension or OPEB liability in future reporting years. The other item is reported in the government-wide and proprietary fund statements of net position and is the deferred costs on refunding. The deferred costs on refunded debt resulted from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is amortized over the term of the refunded debt using the effective interest method.

Details on the composition of deferred outflows related to pensions and OPEB are reported in Notes 12 and 13.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

The City has multiple items that qualify for reporting as deferred inflows of resources in the government-wide and proprietary funds statement of net position, and one item that qualifies as a deferred inflow of resources in the governmental funds. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide and proprietary funds statement of net position these items include the difference between expected and actual economic experience, net difference between projected and actual earnings on pension plan investments, and changes in the proportion and differences between the City's contributions and proportionate share of contributions. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. In the governmental funds, a deferred inflow of resources is reported for unavailable revenues that were not received within sixty days of year end. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

Details on the composition of deferred inflows related to pensions are reported in Note 12.

O. Unearned Revenues

Unearned revenue arises only when the City receives resources before it has a legal claim to them. Governmental Funds report unearned revenue in connection with resources that have been received, but not yet earned.

Revenues in the Proprietary Funds which have not been earned are reported in accordance with the accrual basis of accounting as unearned revenue. The unearned revenue will be recognized as revenues in the fiscal year in which they are earned.

P. Interfund Transactions and Loans

Transactions for services rendered are recorded as revenues in the receiving fund and as expenditures in or expenses (as appropriate) in the disbursing fund.

Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses (as appropriate) in the disbursing fund and as a reduction of expenditures or expenses (as appropriate) in the receiving fund; and transactions to shift revenues from the fund budgeted to receive them to the fund budgeted to expend them are recorded as transfers in and out, respectively.

Transfers are reported in the "Other Financing Sources (Uses)" section in the statement of revenues, expenditures, and changes in fund balances and in the "Transfers" section in the statement of revenues, expenses, and changes in fund net pension.

During the course of operations, transactions occur between individual funds for certain operating expenses or services rendered that result in loans between funds. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables are planned to be eliminated shortly after year end. Long-term interfund loans are classified as "advances to/from other funds." Any balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Q. Compensated Absences

It is the City's policy to permit full-time employees to accumulate limited amounts of earned vacation leave and earned sick leave. Upon separation from service, employees receive payment for all unused vacation leave. No sick leave benefits of any kind are granted upon termination of employment and therefore no liability is recorded for unpaid accumulated sick leave. Vacation pay is reported as an expense and liability when earned by the employee in the government-wide and proprietary fund financial statements and is considered a current liability. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded.

R. Pension Plans

The City has pension plans covering substantially all of its regularly employed employees. It is the policy of the City to fund pension costs for defined benefit plans on an actuarial basis, which includes amortization of prior service costs, and to fund defined contribution plans as pension costs accrue.

In the government-wide and proprietary funds statement of net position, liabilities are recognized for the City's share of each defined benefit 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 City's sponsored single employer plans, the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the City's sponsored single employer plans, the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the City's sponsored single employer plans, the FRS and the HIS plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

S. Long-term Obligations

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

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

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

T. Fund Balance Policy

The City's policy for fund balance of the General Fund is to maintain minimum fund balances equal to 25% of the current year operating expenditures budgeted. If prior committed or assigned fund balance causes the unassigned fund balance to fall below 25%, the City Administrator will present a strategic plan to City Council to take actions necessary to restore the unassigned fund balance to acceptable levels in subsequent fiscal year(s) until the balance is restored to the minimum level.

U. Property Taxes

Ad valorem taxes for the current fiscal year (beginning October 1, 2018) are assessed on July 1, 2018, based on property values as of January 1, 2018. The taxes are levied in the month of November 2018, by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due and payable November 1, 2018, and become delinquent April 1, 2019. Tax certificates are sold for delinquent taxes by June 1, 2019. Generally, the City collects substantially all of its current year property taxes during the year in which they are due. No accrual for the property tax levy becoming due in November 2019 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the next fiscal year.

V. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

W. Government –wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three categories:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.
- Restricted net position – consist of amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.
- Unrestricted – all other net position are reported in this category.

X. Government Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable fund balance—amounts that are not in spendable form (such as prepaid expenses, advances, or long term investments) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council) and its highest level action (i.e. Ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or the Finance Director.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

NOTE 2 – CASH AND INVESTMENTS:

Cash – Custodial Credit Risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. At year-end, the City’s deposits were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes.

Cash and cash equivalents at September 30, 2019, including restricted amounts, consist of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Unit
Petty cash and change funds	\$ 700	\$ 2,200	\$ -	\$ -
Demand and brokerage deposits	368,014	2,603,352	350	6,555
Cash with fiscal agent	100,000	-	-	-
Certificate of deposit	-	269,285	-	-
Money market mutual funds	-	-	500,736	-
Florida PRIME	13,289,286	6,033,706	-	1,368,096
Total cash and cash equivalents	<u>\$13,758,000</u>	<u>\$ 8,908,543</u>	<u>\$ 501,086</u>	<u>\$1,374,651</u>

Investments – The City has adopted an investment policy in accordance with Florida Statutes, which authorizes the City to invest in obligations of the U.S. Treasury, U.S. Agencies, and Florida State Board of Administration (SBA) Local Government Surplus Funds Trust Fund (“Florida PRIME”). The Pension Trust Funds are also authorized to invest in corporate bonds, stocks or other evidences of indebtedness provided that they meet certain requirements listed in the ordinances of the City that govern the pension plans.

The City invests funds throughout the year with the Florida PRIME, an investment pool is administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2019, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 – CASH AND INVESTMENTS: (continued)

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost; therefore the pool is reported at amortized cost.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2019, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

Credit Risk - The City has no policy on credit risk. Investments at fair value and corresponding credit risk rating as of September 30, 2019 are as follows:

<u>Investment Type</u>	<u>Fiduciary Funds</u>	<u>Moody Rating</u>
U.S. Government obligations	\$ 1,942,933	Aaa
U.S. federal agency obligations	569,475	Aaa
Mortgage backed securities	1,372,155	Not Rated
Collateralized mortgage obligations	71,130	Aaa
Collateralized mortgage obligations	146,805	Not Rated
Municipal obligations	23,528	A2
Corporate bonds	230,881	A-
Corporate bonds	390,632	Aa1 to Aa3
Corporate bonds	4,954,941	A1 to A3
Corporate bonds	677,439	Baa1 to Baa3
Corporate bonds	18,665	Not Rated
Common stock	5,338,722	Not Applicable
Mutual funds - equities	12,961,327	Not Applicable
Real estate partnership	2,072,731	Not Applicable
Total Investments	<u>\$ 30,771,364</u>	

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 – CASH AND INVESTMENTS: (continued)

The Florida PRIME is rated by Standard and Poor’s with a credit risk rating of AAAM and a weighted average maturity of 37 days at September 30, 2019.

The fiduciary funds have two money market mutual funds, one that has \$99,098 that is rated by Standard and Poor’s with a credit risk rating of AAAM and a weighted average maturity of 43 days, and a second money market mutual fund that has \$401,638 that is rated by Standard and Poor’s with a credit risk rating of AAAM and a weighted average maturity of 38 days at September 30, 2019.

Fair Value – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets.

Investments classified as Level 3 of the fair value hierarchy reflect prices based upon unobservable inputs for an asset or liability. Fixed income classified as Level 3 are prices from the custodian bank’s external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost.

The Fiduciary Funds own shares in a real estate investment fund which is a pooled investment fund that is a broadly diversified core real estate fund that reports its value at net asset value (NAV) per share. Redemption requests of units in the real estate investment fund may be made at any time and are effective at the end of the calendar quarter in which the request is received by the investment fund. The units that are subject to a redemption notice may be redeemed in installments as funds become available for such purpose and the redemption price will be the value per unit at such time the payment is made. All investments of the real estate investment fund are appraised by an independent third-party MAI appraiser each and every quarter, commencing the quarter after the investment is made.

The City had the following fair value measurements as of September 30, 2019:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
U.S. government obligations	\$ 1,942,933	\$ 336,278	\$ 1,606,655	\$ -
U.S. federal agency obligations	569,475	-	569,475	-
Mortgage backed securities	1,372,155	-	1,372,155	-
Collateralized mortgage obligations	217,935	-	217,935	-
Municipal obligations	23,528	-	23,528	-
Corporate bonds	6,272,558	-	6,272,558	-
Common stock	5,338,722	5,338,722	-	-
Mutual funds - equities	12,961,327	12,961,327	-	-
Total Investments Measured at Fair Value	28,698,633	\$ 18,636,327	\$ 10,062,306	\$ -
Investments Measured at Amortized Cost or NAV				
Real estate partnership	2,072,731			
Florida PRIME	20,691,088			
Total Investments	\$ 51,462,452			

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 – CASH AND INVESTMENTS: (continued)

Interest Rate Risk - The City has no policy on interest rate risk. Investments and related level of risk at September 30, 2019 are as follows:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Fiduciary Funds					
U.S. government obligations	\$ 1,942,933	\$ 40,011	\$ 239,626	\$ 110,502	\$ 1,552,794
U.S. federal agency obligations	569,475	-	-	-	569,475
Mortgage backed securities	1,372,155	-	-	20,973	1,351,182
Collateralized mortgage obligations	217,935	-	146,805	-	71,130
Municipal obligations	23,528	-	-	-	23,528
Corporate bonds	6,272,558	100,374	5,110,811	694,334	367,039
Total	\$ 10,398,584	\$ 140,385	\$ 5,497,242	\$ 825,809	\$ 3,935,148

Mortgages included in these investments may be repaid sooner by individuals depending on interest rate changes.

NOTE 3 – RECEIVABLES:

Receivables as of September 30, 2019 for the City's individual major funds and internal service fund, including applicable allowances for uncollectible balances, are as follows:

	Governmental Activities		
	General	Internal Service	Total
Utility and franchise taxes	\$ 248,735	\$ -	\$ 248,735
Customer charges	1,215	-	1,215
Reinsurance	-	359,277	359,277
Miscellaneous	1,800	1,244	3,044
Gross receivables	251,750	360,521	612,271
Allowance for doubtful	(1,689)	-	(1,689)
Total	\$ 250,061	\$ 360,521	\$ 610,582

	Business-type Activities		
	Water and Wastewater	Solid Waste	Total
Utility and franchise taxes	\$ -	\$ 932	\$ 932
Customer charges	427,323	45,658	472,981
Customer charges - unbilled	127,130	-	127,130
Gross receivables	554,453	46,590	601,043
Allowance for doubtful	(5,990)	-	(5,990)
Total	\$ 548,463	\$ 46,590	\$ 595,053

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – INTERFUND TRANSFERS:

Interfund transfers for the year ending September 30, 2019 were as follows:

Transfer Out Fund	Transfer In Fund	
	General Fund	Golf Course Fund
General Fund	\$ -	\$ 130,315
Water and Wastewater	500,000	-
Solid Waste Fund	200,000	-
Component Unit	30,736	-
Total	\$ 730,736	\$ 130,315

Transfer activities include:

- Transfers out from the General Fund to the Golf Course Fund for \$130,315 represents the amount budgeted and transferred to fund operations of the golf course.
- Transfers out from the Component Unit to the General Fund in the amount of \$30,736 represents payments for road improvements within the CRA district. In addition, the Component Unit paid \$201,545 for capital improvements that were capitalized as assets in Governmental Activities and reported as additional transfers out in the Statement of Activities.
- Transfers out from the Water & Wastewater of \$500,000 and Solid Waste Funds of \$200,000 to the General Fund represent amounts budgeted as supplemental transfers to the General Fund.

NOTE 5 – RESTRICTED ASSETS:

Restricted assets in the Enterprise Funds consist of the following:

Resolutions pertaining to outstanding loans payable require the segregation and restriction of assets, which are for designated purposes, and are shown below along with other restricted amounts.

Restricted Assets for Loans Payable:	
Sinking Fund	\$ 23,541
Reserve Fund	51,587
Total Restricted Assets for Loans Payable	75,128
Other Restricted Assets:	
Customer utility deposits	2,051,247
Total Restricted Assets	\$ 2,126,375

At September 30, 2019 the sinking fund balances are fully funded in accordance with loan requirements. The net position restricted for debt service of \$72,753 for Business-type activities represents the Sinking and Reserve Funds assets established for the loans payable, less the amount recorded as accrued interest payable from restricted assets.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – CAPITAL ASSETS:

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,639,341	\$ -	\$ (10)	\$ -	\$ 1,639,331
Construction in progress	25,898	151,472	-	(3,900)	173,470
Total capital assets not being depreciated	1,665,239	151,472	(10)	(3,900)	1,812,801
Capital assets, being depreciated:					
Buildings	4,878,016	165,057	-	-	5,043,073
Improvements other than buildings	5,577,823	337,467	(120,446)	3,900	5,798,744
Equipment	6,542,835	306,429	(472,790)	-	6,376,474
Infrastructure	9,651,316	297,172	-	-	9,948,488
Total capital assets being depreciated	26,649,990	1,106,125	(593,236)	3,900	27,166,779
Less accumulated depreciation for:					
Buildings	2,392,235	122,124	-	-	2,514,359
Improvements other than buildings	3,823,612	184,693	(120,446)	-	3,887,859
Equipment	5,193,995	388,074	(472,419)	-	5,109,650
Infrastructure	3,567,403	407,549	-	-	3,974,952
Total accumulated depreciation	14,977,245	1,102,440	(592,865)	-	15,486,820
Total capital assets being depreciated, net	11,672,745	3,685	(371)	3,900	11,679,959
Governmental Activities Capital Assets, Net	\$ 13,337,984	\$ 155,157	\$ (381)	\$ -	\$ 13,492,760
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 577,877	\$ -	\$ -	\$ -	\$ 577,877
Construction in progress	770,765	287,175	-	(155,550)	902,390
Total capital assets not being depreciated	1,348,642	287,175	-	(155,550)	1,480,267
Capital assets, being depreciated:					
Buildings	1,370,272	325,302	(15,509)	-	1,680,065
Equipment	8,010,287	271,090	(602,147)	9,605	7,688,835
Golf course improvements	979,444	194,595	-	13,450	1,187,489
Water system	40,566,870	64,686	-	-	40,631,556
Wastewater system	33,606,410	614,273	(232,319)	132,495	34,120,859
Total capital assets being depreciated	84,533,283	1,469,946	(849,975)	155,550	85,308,804
Less accumulated depreciation for:					
Buildings	691,212	45,592	(15,509)	-	721,295
Equipment	4,959,177	606,544	(563,073)	-	5,002,648
Golf course improvements	811,640	31,836	-	-	843,476
Water system	20,216,152	1,165,952	-	-	21,382,104
Wastewater system	19,181,313	905,791	(232,319)	-	19,854,785
Total accumulated depreciation	45,859,494	2,755,715	(810,901)	-	47,804,308
Total capital assets being depreciated, net	38,673,789	(1,285,769)	(39,074)	155,550	37,504,496
Business-type Activities Capital Assets, Net	\$ 40,022,431	\$ (998,594)	\$ (39,074)	\$ -	\$ 38,984,763

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – CAPITAL ASSETS: (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 203,296
Law enforcement	162,772
Fire control	220,657
Building and zoning	6,097
Physical environment	82,555
Transportation	308,688
Culture and recreation	118,375
Total	<u>\$ 1,102,440</u>

Depreciation expense was charged to business-type functions as follows:

Business-type Activities:	
Water	\$ 1,372,441
Wastewater	1,036,595
Solid waste	271,008
Golf course	75,671
Total	<u>\$ 2,755,715</u>

Amortization expense related to capital leases amounted to \$135,000 is included in depreciation expense related to business-type activities.

The City owns a well and related equipment currently not in use. This idle property was purchased in 2001 for \$192,060 and has a carrying value of \$89,243 at September 30, 2019.

NOTE 7 – COMMITMENTS:

A. Construction Commitments:

The following is a summary of the projects in process and other commitments remaining at September 30, 2019:

	Commitment Authorized	Expended to September 30, 2019	Remaining Commitment
Infrastructure Fund:			
Sebring Parkway Improvements	\$ 1,165,730	\$ -	\$ 1,165,730
Other Road and Sidewalk Improvements	49,532	-	49,532
CDBG Fund			
Road Improvements	60,000	5,000	55,000
Water and Wastewater Fund			
Water line and Plant Improvements	67,390	26,370	41,020
Wastewater Plant and Collection Improvements	258,815	-	258,815
Total	<u>\$ 1,601,467</u>	<u>\$ 31,370</u>	<u>\$ 1,570,097</u>

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – COMMITMENTS: (continued)

B. Encumbrances

Other significant commitments include encumbrances outstanding as shown below:

General Fund	\$ 315,951
Water and Wastewater Fund	488,463
Solid Waste Fund	21,619
Infrastructure Fund	2,085
Golf Course Fund	19,423
Component Unit	<u>170,450</u>
Total	<u>\$ 1,017,991</u>

NOTE 8 – PLEDGED REVENUES:

The City has pledged future revenues derived from the operation of the water and wastewater systems and public service taxes, net of operating and maintenance expenses, to repay five loans amounting to \$9,300,493. The loan descriptions and lengths of the loans are provided for in Note 9 and are payable solely from the net earnings of the water and wastewater systems. The total principal and interest remaining to be paid on the loans is \$9,784,224. Principal paid and interest expense for the current year was \$2,332,340 and net system revenues were \$6,314,146. Scheduled principal and interest for pledged loans for fiscal year 2020 is \$2,327,819. Annual payments of debt service are expected to require 36.9% of available net revenues.

NOTE 9 – LONG-TERM DEBT:

A. Refunding Note Payable

Business-type Activities

Refunding Note Payable at September 30, 2019 is as follows:

\$21,331,075 refunding note payable at 2.169% from PNC Bank, National Association; annual principal payment between \$1,702,495 and \$2,155,140, beginning January 1, 2013 through January 1, 2023; interest paid semiannually; secured by a pledge of net revenues of the water and wastewater system.

\$ 8,356,330

The Utility Revenue Refunding Note, Series 2011 and interest thereon are limited, special obligations of the City payable from and secured solely by a pledge of and lien on (1) net revenues derived from the ownership and operation of the system, (2) connection fees, (3) unless and until released as provided in the Resolution, public service taxes, and (4) until expended the proceeds of the refunding note and all monies, including investment earnings, on deposit in certain funds and accounts established under the Resolution.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 – LONG-TERM DEBT: (continued)

The major provisions of the resolution authorizing the Utility Revenue Refunding Note, Series 2011, are as follows:

- Rates – The City will establish, maintain and collect fees, rates or other charges for the services of the system that will provide in each fiscal year 135% of the annual debt service requirement. If the City does not meet this covenant, the note rate shall be increased by 0.15% per annum retroactive to the first day following the end of such fiscal year. For fiscal year 2019, the refunding note coverage for the City’s rate test is 256%.

B. Loans Payable

Business-type Activities

Loans Payable at September 30, 2019 are as follows:

\$1,649,519 loan payable (\$154,438 at 3.08% and \$1,495,081 at 1.87%); from the State of Florida, Department of Environmental Protection; semiannual payment of \$50,029, including interest, beginning August 15, 2004 through February 15, 2024; secured by a pledge of net revenues of the water and wastewater system. \$ 428,638

\$165,859 loan payable at 2.71% from the State of Florida, Department of Environmental Protection; semiannual payment of \$5,476, including interest, beginning June 15, 2011 through December 15, 2030; secured by a pledge of net revenues of the water and wastewater system. 107,598

\$69,227 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$2,140, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system. 45,262

\$517,413 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$17,145, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system.

362,665

Total Loans Payable \$ 944,163

C. Capital Lease Obligations

The City has entered into a lease agreement as lessee for financing the acquisition of equipment for its water operations. The following lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payment as of the inception date.

- The SunTrust Bank capital lease used for the purchase of an automatic water meter reading system is dated January 20, 2006 for \$2,700,000 at a 3.99% interest rate, due in semi-annual installments of \$118,788 through November 1, 2020.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 – LONG-TERM DEBT: (continued)

The assets acquired through the capital lease are as follows:

Asset:	Business-type Activities
Water meters	\$ 2,700,000
Less accumulated depreciation	(1,777,500)
Net book value	\$ 922,500

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

Year Ending <u>September 30</u>	Business-type Activities
2020	\$ 226,366
2021	116,512
Total minimum lease payments	342,878
Less: amount representing interest	(13,486)
Present value of minimum lease payments	329,392
Less: current portion representing principal	(226,366)
Total capital lease obligations – long term	\$ 103,026

D. Debt Service Requirements to Maturity

Refunding note payable, loans payable, and notes payable debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2020	\$ 2,146,868	\$ 180,951	\$ 2,327,819
2021	2,199,548	133,815	2,333,363
2022	2,247,202	85,589	2,332,791
2023	2,291,733	36,359	2,328,092
2024	89,566	9,986	99,552
2025-2029	216,885	30,730	247,615
2030-2034	108,691	6,301	114,992
	\$ 9,300,493	\$ 483,731	\$ 9,784,224

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 – LONG-TERM DEBT: (continued)

E. Long-Term Liability Activity

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Long-term Portion
Governmental Activities:						
Compensated absences	\$ 302,066	\$ 308,139	\$ 315,174	\$ 295,031	\$ 295,031	\$ -
Other post-employment benefits	709,439	9,344	-	718,783	-	718,783
Total Governmental Activities						
Long-Term Liabilities	<u>\$ 1,011,505</u>	<u>\$ 317,483</u>	<u>\$ 315,174</u>	<u>\$ 1,013,814</u>	<u>\$ 295,031</u>	<u>\$ 718,783</u>
Business-type Activities:						
Capital lease obligations	\$ 560,650	\$ -	\$ 217,772	\$ 342,878	\$ 226,366	\$ 116,512
Loan payable	1,069,402	-	125,239	944,163	127,983	816,180
Refunding note payable	10,337,300	-	1,980,970	8,356,330	2,018,885	6,337,445
Compensated absences	113,156	107,342	119,022	101,476	101,476	-
Landfill closure	380,000	-	-	380,000	-	380,000
Other post-employment benefits	171,225	5,548	-	176,773	-	176,773
Total Business-type Activities						
Long-Term Liabilities	<u>\$ 12,631,733</u>	<u>\$ 112,890</u>	<u>\$ 2,443,003</u>	<u>\$ 10,301,620</u>	<u>\$ 2,474,710</u>	<u>\$ 7,826,910</u>

For governmental activities, compensated absences and other post-employment benefits are liquidated by the General Fund.

For the fiscal year ending September 30, 2019, total interest expense entity-wide was \$333,268. In the business-type activities, interest expense of \$333,268 and was incurred for loans and capital leases used to purchase and construct capital assets. Amortization of the deferred cost on refunding, in the amount of \$102,047, is included in interest expense.

NOTE 10 - LANDFILL CLOSURE LIABILITY:

The City owns and operates a landfill for yard trash as part of its solid waste operation. The solid waste operation of the City is accounted for as a business-type activity in the Solid Waste Fund. In September 2012, the Florida Department of Environmental Protection approved a change to the City's landfill permit. The landfill permit in effect until September 21, 2012 was a general landfill permit, which required a restriction on funds to cover 30 years of post-closure maintenance. The new permit is a yard waste facility permit, which requires no funding of the closure and post-closure maintenance. At September 30, 2019, the City has maintained a \$380,000 liability to cover the estimated landfill closure requirements of the Florida Department of Environmental Protection.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11– RISK MANAGEMENT:

A. Risk Pool

The City, in October 1988, entered into an agreement with other political subdivisions to create a local government risk management pool called Public Risk Management of Florida (PRM). PRM was organized to develop and administer a Protected Self-Insured Retention Program for its member organizations. PRM provides the City with coverage from risks in the areas of property, automobile, general liability, police professional, workmen’s compensation, public officials’ liability, and crime. The City has elected to retain the risk of loss of \$10,000 per occurrence.

PRM is a total risk and cost sharing pool for all losses the members have elected to not retain. PRM uses specific excess insurance to cover losses above predetermined self-insured retention levels and aggregate excess insurance to protect the loss fund in the event it becomes exhausted.

Premiums are paid by all funds to the City’s Internal Service Fund for its self-insured property and casualty risk management insurance plan. Other than the risk of loss the City has retained the City does not have any claim liability in addition to premiums paid to PRM.

B. Risk Retention

The City self-insures the health benefits it provides to its employees. The City’s plan retains the risk of loss for the medical claims up to \$60,000, and paid by December 31, 2019, per individual per year with an overall additional deductible of \$130,000. The City uses specific reinsurance with a deductible of \$130,000 to reduce its exposure for medical claims, excluding vision, dental and drug benefits, incurred and paid by September 30, 2019 that exceed a \$60,000 limit per individual. The City also utilizes an aggregate policy to reduce its exposure for total medical claims. The City’s aggregate policy provides coverage of \$1,000,000 on an overall basis when covered medical claims exceed \$1,860,344 during the current fiscal year. The City also purchases commercial insurance for its exposure related to life benefits provided to employees. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City reports its risk management activities in the Internal Service Fund. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated, and it will not be covered by reinsurers. These losses include an estimate of claims that have been incurred but not reported.

The liability at September 30, 2019 is \$515,033. The following is a summary of changes in the liability balance:

Fiscal Year	Liability Beginning of Fiscal Year	Current Year Claims And Changes in Estimate of Liability	Net Claim Payments	Liability End of Fiscal Year
2017-2018	\$ 285,176	\$ 1,958,039	\$ 1,335,817	\$ 907,398
2018-2019	907,398	2,044,789	2,437,154	515,033

The above current year claims and changes in estimate of liability is net of any amounts received from employees and reinsurance.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS:

Substantially all full-time employees of the City of Sebring are covered by one of four pension plans.

Police Officers' Retirement Trust Fund (PORTF)

General Information about the PORTF

Plan Description – All officers and policemen hired before January 1, 2013, who have been certified to permanent status, excluding civilian, clerical and other employees of the City's police department, participate in the PORTF, a single-employer, defined benefit pension plan that was established by a special act of the State of Florida in 1967, Chapter 2069 and is currently governed by city ordinance as amended from time to time and administered by the PORTF Board of Trustees. The plan is closed to new members. PORTF provides retirement, disability and death benefits to plan members and their beneficiaries. The PORTF also has a deferred retirement option plan. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan. The PORTF is reported in the City's fiduciary financial statement as a pension trust fund.

Plan Membership - As of October 1, 2018, the members of the plan were as follows:

Inactive plan members or beneficiaries receiving benefits	22
Inactive plan members entitled to but not receiving benefits.....	1
Active plan members.....	19

Benefits Provided – All benefits are 100% vested after ten years of credited service. Normal retirement is the earlier of 20 years of credited service regardless of age, or age 52 and 10 years of credited service (5 years of credited services for members hired prior to October 1, 1998). Members who have attained age 45 and 10 years of credited service (5 years of credited service for members hired prior to October 1, 1998) are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3% of the average final compensation (AFC), which is the highest 3 years out of the last 10 years of credited service immediately preceding termination or retirement times credited service. The maximum benefit is 90% of AFC. The plan provides for an annual 3% cost of living adjustment for the life of all retirees and certain beneficiaries who retire after September 1, 1998).

Cost of living adjustments will be made on the first October following the normal retirement date for retirees and the first of October following the date the member would have had 20 years of credited service had they not become disabled.

Contributions – The City Council establishes and may amend the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. The PORTF, beginning fiscal year 2014, no longer receives a portion of a .85% tax on all premiums collected on casualty insurance policies on property within the City because the City closed the plan. Administrative costs for each plan are financed through investment earnings. Covered employees contribute 5% of their salary. The City's actuarially required contribution for the year ended September 30, 2019 was \$486,016. Actual contributions for the year equaled \$486,016, or 100% of the required contributions.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Deferred Retired Option Program (DROP) – Plan member are eligible to participate in the DROP upon satisfaction of normal retirement requirements (20 years of credited service regardless of age, or age 52 and 10 years of credited service (5 years of credited service for members hired prior to October 1, 1998), with participation not to exceed 7 years. Members elect the rate of return to be credited to their DROP account as either the interest rate applicable to the Florida Retirement System DROP Plan for the immediately preceding calendar quarter, or the rate realized by the pension plan’s trust fund.

The DROP balance as of September 30, 2019 is \$166,974.

Net Pension Liability

The City’s net pension liability for the PORTF was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial assumptions – The total pension liability for September 30, 2018 and 2019 was determined by the following valuations and were rolled forward to the measurement date using the following actuarial methods and assumptions being applied to all measurement periods.

Liability measurement date	September 30, 2018	September 30, 2019
Valuation date	October 1, 2017	October 1, 2018
Actuarial cost method	Entry age normal	Entry age normal
Inflation	2.5%	2.5%
Salary increases	5.0%	5.0%
Investment rate of return	7.3%	7.2%

The retirement age used is an experienced based table of rates that are specific to the type of eligibility conditions.

For October 1, 2017 and October 1, 2018, the mortality table used was the fully generational RP-2000 Mortality Table for annuitants with future improvements in mortality projected to all future years using Scale BB.

The assumed real rate of return over inflation is defined to be the portion of total investment return that is more than the assumed inflation rate. Considering other economic assumptions, the 7.3% and 7.2% for September 30, 2018 and 2019 investment return rate translates to an assumed real rate of return over inflation of 4.8% and 4.7%, respectively.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45%	7.5%
International equity	15%	8.5%
Domestic bonds	35%	2.5%
Real estate	5%	4.5%
	100%	

Money-weighted Rate of Return – For the year ended September 30, 2019 the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested, for the Plan was 7.41%.

Discount Rate - A single discount rate of 7.3% and 7.2% was used to measure the total pension liability at September 30, 2018 and 2019. This single discount rate was based on the expected rate of return on pension plan investments of 7.3% and 7.2%, respectively. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the plan member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.3%) and (7.2%), respectively was applied to all periods of projected benefit payments to determine the total pension liability.

The plan’s net pension liability measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined as of that date.

Total pension liability	\$ 19,427,720
Plan fiduciary net position	(17,937,055)
Net pension liability	\$ 1,490,665
Plan fiduciary net position as a percentage of the total pension liability	92.33%

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Changes in City's Net Pension Liability – Changes in the City's net pension liability for its reporting year ended September 30, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2018	\$ 17,278,197	\$ 17,156,658	\$ 121,539
Changes for the year:			
Service cost	363,014	-	363,014
Interest	1,248,993	-	1,248,993
Difference between actual and expected experience	164,104	-	164,104
Assumption changes	221,555	-	221,555
Contributions - City	-	374,381	(374,381)
Contributions - employee	-	57,129	(57,129)
Net investment income	-	1,278,042	(1,278,042)
Benefit payments, including refunds of employee contributions	(1,525,856)	(1,525,856)	-
Administrative expense	-	(32,400)	32,400
Net changes	471,810	151,296	320,514
Balances at September 30, 2019	\$ 17,750,007	\$ 17,307,954	\$ 442,053

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the plan's net pension liability, calculated at September 30, 2018 (the City's measurement date) and 2019, using the current discount rate of 7.3% and 7.2%, respectively, as well as what the plan's net pension liability (asset) would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate for each year:

Year Ending September 30,	1% Decrease	Current Discount Rate	1% Increase
Discount rate 2018	6.3%	7.3%	8.3%
	\$ 2,946,680	\$ 442,053	\$ (1,575,960)
Discount rate 2019	6.2%	7.2%	8.2%
	\$ 4,211,549	\$ 1,490,665	\$ (701,747)

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Pension Expense, Deferred Outflows and Inflows of Resources Related to POTRF – For the year ended September 30, 2019, the City recognized pension expense of \$556,647. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the POTRF 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	\$ 72,935	\$ 4,553
Changes in assumptions	105,059	-
Net difference between projected and actual earnings on plan investments	-	185,991
City contributions subsequent to the measurement date	486,016	-
Total	<u>\$ 664,010</u>	<u>\$ 190,544</u>

The deferred outflows of resources related to the POTRF, totaling \$486,016 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the POTRF will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2020	\$ 259,733
2021	(120,933)
2022	(140,735)
2023	(10,615)

Payables to POTRF plan – At September 30, 2019, the City reported no payables for outstanding contributions.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Plan Fiduciary Net Position - The fiduciary net position for the plan is as follows:

CITY OF SEBRING, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2019

Assets	
Cash and cash equivalents	\$ 99,098
Receivables:	
Interest and dividends	38,806
Partnership distribution	12,418
Other	2,632
Investments, at fair value:	
U.S. government obligations	1,606,655
U.S. federal agency obligations	569,475
Mortgage backed securities	248,052
Corporate bonds	3,699,949
Common stock	3,515,144
Mutual funds - equities	7,141,408
Real estate partnership	<u>1,016,366</u>
Total Investments	<u>17,797,049</u>
Total Assets	<u>17,950,003</u>
Liabilities	
Accounts payable	<u>12,948</u>
Total Liabilities	<u>12,948</u>
Net Position Restricted for Pensions	<u><u>\$ 17,937,055</u></u>

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Plan Changes in Fiduciary Net Position - The fiduciary changes in net position for the plan is as follows:

CITY OF SEBRING, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE OFFICERS' RETIREMENT TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Additions	
Contributions:	
City	\$ 486,016
Plan members	58,476
Total contributions	544,492
Investment income:	
Net appreciation in fair value of investments	384,473
Interest and dividends	376,486
Other	38,264
	799,223
Less investment expenses	(90,112)
Net investment income	709,111
Total Additions	1,253,603
 Deductions	
Payments to retirees and participants	579,496
Administration expenses	45,006
Total Deductions	624,502
Net Increase in Net Position	629,101
 Net Position Restricted for Pension:	
Beginning of Year	17,307,954
End of Year	\$ 17,937,055

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Municipal Firefighters’ Pension Plan (MFPP)

Plan Description – All actively employed firefighters of the City’s fire department who had 10 years or more of credited service on or before August 26, 2013, participate in the MFPP, a single-employer, defined benefit pension plan that was established by a special act of the State of Florida in 1959, Chapter 1860 and is currently governed by city ordinance as amended from time to time. The plan is closed to new members. MFPP provides retirement, disability, death benefits, and cost of living adjustments to plan members and their beneficiaries. The MFPP also has a deferred retirement option plan. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan. The MFPP is reported in the City’s fiduciary financial statement as a pension trust fund.

The MFPP is administered by a five member Board of Trustees. The City Council appoints two of the members; two more members are elected by a majority of the other covered firefighters, and a fifth member is elected by the other four and appointed by the City Council.

Plan Membership - As of October 1, 2018, the members of the plan were as follows:

Inactive plan members or beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not receiving benefits.....	2
Active plan members.....	4

Benefits Provided –Normal retirement is age 55 and 10 years of service, or 25 years of service, regardless of age. Members who have attained age 45 and 10 years of credited service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3% of average final compensation times credited service, to a maximum of 90% of average final compensation. The minimum benefit is 2% of average final compensation times credited service. Retired members who were employed prior to June 30, 1971, receive a 4% annual cost of living adjustment. Retired members who were employed after June 30, 1971, receive a 3% annual increase. Cost of living adjustments are made each year on the first of October.

Contributions - The City Council establishes and may amend the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. The MFPP, beginning fiscal year 2014, no longer receives a portion of a 1.85% tax on all premiums collected on property insurance policies covering property within the City because the City closed the plan. Administrative costs for each plan are financed through investment earnings. Plan members contribute 6.5% of their salary. The City’s actuarially required contribution for the year ended September 30, 2019 was \$626,330. Actual contributions for the year equaled \$626,330 or 100% of the required contribution.

Deferred Retired Option Program (DROP) – Plan members are eligible to participate in the DROP upon satisfaction of normal retirement requirements (earlier of age 55 and 10 years of credited service, or 25 years of credited service, regardless of age) with participation not to exceed five years. The rate of return is the interest rate applicable to the Florida Retirement System DROP Plan for the immediately preceding calendar quarter.

As of September 30, 2019 there are no outstanding DROP balances.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Net Pension Liability

The City’s net pension liability for the MFPP was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial assumptions – The total pension liability for September 30, 2018 and 2019 was determined by the following actuarial valuations were rolled forward to the measurement date using the following actuarial methods and assumptions being applied to the measurement period.

Liability measurement date	September 30, 2018	September 30, 2019
Valuation date	October 1, 2017	October 1, 2018
Actuarial cost method	Entry age normal	Entry age normal
Inflation	2.5%	2.5%
Salary increases	7.0%	7.0%
Discount rate	7.7%	7.6%
Investment rate of return	7.7%	7.6%

The mortality table used was the RP-2000 Combined Healthy Sex Distinct and disabled lives are set forward five years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic equity	45%	7.5%
International equity	15%	8.5%
Domestic fixed income	35%	2.5%
Real estate	5%	4.5%
Total	<u>100%</u>	

Money-weighted Rate of Return – For the year ended September 30, 2019 the annual money-weighted rate of return on plan investments, net of investment expenses, was 4.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.7% and 7.6% at September 30, 2018 and 2019. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The plan’s net pension liability measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined as of that date is as follows:

Total pension liability	\$ 16,616,131
Plan fiduciary net position	<u>(13,403,493)</u>
Net pension liability	<u>\$ 3,212,638</u>
Plan fiduciary net position as a percentage of the total pension liability	80.67%

Changes in City’s Net Pension Liability – Changes in the City’s net pension liability for the MFPP for the year ended September 30, 2019 were as follow:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2018	\$ 15,657,568	\$ 12,721,646	\$ 2,935,922
Changes for the year:			
Service cost	105,733	-	105,733
Interest	1,193,050	-	1,193,050
Difference between actual and expected experience	24,883		
Change in assumptions	176,094	-	176,094
Contributions - City	-	620,151	(620,151)
Contributions - employee	-	17,129	(17,129)
Net investment income	-	912,482	(912,482)
Benefit payments, including refunds of employee contributions	(935,564)	(935,564)	-
Administrative expense	-	(44,288)	44,288
Net changes	<u>564,196</u>	<u>569,910</u>	<u>(5,714)</u>
Balances at September 30, 2019	<u>\$ 16,221,764</u>	<u>\$ 13,291,556</u>	<u>\$ 2,930,208</u>

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the plan’s net pension liability calculated at September 30, 2018 (the City’s measurement date) and 2019 using the current discount rate of 7.7% and 7.6%, respectively, as well as what the plan’s net pension 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:

Year Ending September 30,	1% Decrease	Current Discount Rate	1% Increase
Discount rate 2018	6.7% \$ 4,940,519	7.7% \$ 2,970,490	8.7% \$ 1,352,694
Discount rate 2019	6.6% \$ 5,215,875	7.6% \$ 3,212,638	8.6% \$ 1,563,045

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended September 30, 2019, the City recognized pension expense of \$692,724. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the MFPP from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 50,183	\$ -
City contributions subsequent to the measurement date	626,330	-
Total	<u>\$ 676,513</u>	<u>\$ -</u>

The deferred outflows of resources related to the MFPP, totaling \$626,330 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources related to the MFPP will be recognized as an increase in pension expense as follows:

Year ending September 30,	Amount
2020	\$ 132,361
2021	(45,947)
2022	(48,855)
2023	12,624

Payables to MFPP plan – At September 30, 2019, the City reported no payables for outstanding contributions.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Plan Fiduciary Net Position - The fiduciary net position for the plan is as follows:

CITY OF SEBRING, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
MUNICIPAL FIREFIGHTERS' PENSION PLAN
SEPTEMBER 30, 2019

Assets	
Cash and cash equivalents	\$ 401,988
Receivables:	
Interest and dividends	34,897
Investments, at fair value:	
U.S. government obligations	336,278
Mortgage backed securities	1,124,103
Collateralized mortgage obligations	217,935
Municipal obligations	23,528
Corporate bonds	2,572,609
Common stock	1,823,578
Mutual funds - equities	5,819,919
Real estate partnership	1,056,365
Total Investments	<u>12,974,315</u>
Total Assets	<u>13,411,200</u>
Liabilities	
Accounts payable	<u>8,880</u>
Total Liabilities	<u>8,880</u>
Net Position Restricted for Pensions	<u><u>\$ 13,402,320</u></u>

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Plan Changes in Fiduciary Net Position - The fiduciary changes in net position for the plan is as follows:

CITY OF SEBRING, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
MUNICIPAL FIREFIGHTERS' PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Additions	
Contributions:	
City	\$ 626,330
Plan members	17,608
Total contributions	<u>643,938</u>
Investment income:	
Net appreciation in fair value of investments	250,668
Interest and dividends	431,947
Other	<u>(14,439)</u>
	668,176
Less investment expenses	<u>(56,135)</u>
Net investment income	<u>612,041</u>
Total Additions	<u>1,255,979</u>
Deductions	
Payments to retirees and participants	968,401
Refund of contributions	100,245
Administration expenses	<u>36,287</u>
Total Deductions	<u>1,104,933</u>
Net Increase in Net Position	<u>151,046</u>
Net Position Restricted for Pensions:	
Beginning of Year	<u>13,251,274</u>
End of Year	<u>\$ 13,402,320</u>

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Florida Retirement System (FRS)

General Information about the FRS

The FRS was created by 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 who are not covered by the Police Officer's Retirement System or the Firefighters' Retirement System are eligible to enroll as members of the State-administered FRS. Provisions related to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Website (www.dms.myflorida.com).

The City's pension expense for the three plans totaled \$2,275,189 for the fiscal year ended September 30, 2019.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members employed as law enforcement officers, firefighters, firefighter trainers, or certain others who meet the criteria set forth in the FRS law and administrative rules.
- *Elected Officers' Class* – Member includes the City's elected City Clerk.
- *Deferred Retirement Option Program (DROP)* – Allows members of the FRS Pension Plan to elect to retire and have their FRS benefits accumulate in the FRS Trust Fund, earning interest, while the member continues to work for the City.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date.

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants. DROP, subject to provisions of section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<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 up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 or more years of service	1.68
Regular Class members initially enrolled after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 or more years of service	1.68
Senior Management Service Class	2.00
Elected Officers' Class	3.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

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

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the City’s current fiscal year were as follows:

Class	July 1, 2018		July 1, 2019	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.0%	8.26%	3.0%	8.47%
FRS, Senior Management Services	3.0%	24.06%	3.0%	25.41%
FRS, Elected Officers'	3.0%	48.70%	3.0%	48.82%
FRS, Special Risk Regular	3.0%	24.50%	3.0%	25.48%
FRS, DROP	0.0%	14.03%	0.0%	14.60%
FRS, Retiree not eligible	0.0%	5.16%	0.0%	5.22%

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the investment plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The City’s contributions to the Pension Plan totaled \$627,335 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2019, the City reported a liability of \$6,857,938 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City’s proportionate share of the net pension liability was based on the City’s contributions received by FRS during the measurement period for employer payroll paid from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all participating employers. At June 30, 2019, the City’s proportionate share was 0.019911948 percent, which was an increase of 0.001032146 percent from its proportionate share measured as of June 30, 2018.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$2,006,606. 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	\$ 406,732	\$ 4,256
Change of assumptions	1,761,275	-
Net difference between projected and actual earnings on Pension Plan investments	-	379,387
Changes in proportion and differences between City's Pension Plan contributions and proportionate share of contributions	1,238,004	4,306
Changes in proportion and differences between City's Pension Plan contributions and proportionate share of contributions between funds	199,001	199,001
City's Pension Plan contributions subsequent to the measurement date	<u>151,053</u>	<u>-</u>
Total	<u>\$ 3,756,065</u>	<u>\$ 586,950</u>

The deferred outflows of resources related to the Pension Plan, totaling \$151,053 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ending September 30	Amount
2020	\$ 960,048
2021	504,110
2022	779,881
2023	567,632
2024	170,578
Thereafter	35,813

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

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

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation, as outlined in the Plan’s investment policy, 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</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.3%	3.3%	1.2%
Intermediate-Term Bonds	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Real Estate (Property)	10.0%	6.7%	6.1%	11.7%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	6.0%	5.9%	5.7%	6.7%
Total	<u>100.0%</u>			
Assumed Inflation - Mean		2.6%		1.7%

Discount Rate - The discount rate used to measure the total pension liability was 6.90% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Pension Liability Sensitivity - The following represents the City’s proportionate share of the net pension liability for the FRS Plan calculated using the discount rate of 6.90%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$ 11,854,157	\$ 6,857,200	\$ 2,684,258

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Payables to the Pension Plan - At September 30, 2019, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

HIS Plan

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

Benefits Provided – For the plan fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution rate was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

The City’s contributions to the HIS Plan totaled \$90,210 for the fiscal year ended September 30, 2019.

Pension Costs – At September 30, 2019, the City reported a liability of \$1,796,459 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of July 1, 2018, and update procedures were used to determine the liability at June 30, 2019. The City’s proportionate share of the net pension liability was based on the City’s contributions received by FRS during the measurement period for employer payroll paid from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all participating employers. At June 30, 2019, the City’s proportionate share was 0.016055584 percent, which was an increase of 0.000368614 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$214,444. In addition, the City reported deferred outflows of resources and deferred in flows 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	\$ 21,820	\$ 2,200
Change of assumptions	208,013	146,828
Net difference between projected and actual earnings on HIS Plan investments	1,159	-
Changes in proportion and differences between City's HIS Plan contributions and proportionate share of contributions	363,267	6,134
Changes in proportion and differences between City's HIS Plan contributions and proportionate share of contributions between funds	74,994	74,994
City's HIS Plan contributions subsequent to the measurement date	20,597	-
Total	<u>\$ 689,850</u>	<u>\$ 230,156</u>

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

The deferred outflows of resources related to the HIS Plan, totaling \$20,597 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized as an increase in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 111,591
2021	106,343
2022	95,411
2023	58,980
2024	41,978
Thereafter	24,794

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2018, calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Discount rate	3.50%	3.87%
Inflation	2.60%	2.60%
Salary increases, including inflation	3.25%	3.25%
Municipal bond rate	3.50%	3.87%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

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

Discount Rate - The discount rate used to measure the total pension liability was 3.50% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The discount rate used in the 2019 valuation was updated from 3.87% to 3.50%, reflecting the change in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was adopted as the applicable municipal bond index.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

Pension Liability Sensitivity - The following represents the City’s proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate of 3.50%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
City's proportionate share of the net pension liability	\$ 2,050,750	\$ 1,796,458	\$ 1,584,664

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Payables to the HIS Plan - At September 30, 2019, the City reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2019.

FRS Investment Plan

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the State Board of Administration (SBA), and is reported in the SBA annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class and Senior Management Class), 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 plan members.

Allocations, including the employee’s required 3% contribution, to the investment member's accounts during the 2018-19 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.3%, Senior Management Service class 7.67%, and Special Risk class 14.0%.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – PENSION PLANS: (continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City's Investment Plan pension expense totaled \$54,139 for the fiscal year ended September 30, 2019 and at year end reported no payable for outstanding contributions to the Investment Plan.

NOTE 13 – POSTEMPLOYMENT BENEFITS:

Plan Description – The City of Sebring Other Postemployment Benefits Plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's medical, dental, and vision plan. The City subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at 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 cost to the plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. The plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system (PERS) or another entity. The City Council has the authority to establish and amend benefit provisions of the plan.

Funding Policy – The contribution requirements of the City and plan members are established and may be amended through recommendations of the Insurance Committee and action from the City Council. The City has not advance funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. Retirees are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums.

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 – POSTEMPLOYMENT BENEFITS: (continued)

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	21
Active employees	145
Total	166

Total OPEB Liability – The City’s total OPEB liability of \$895,556 was measured as of September 30, 2019, and was determined by an actuarial valuation as of October 1, 2018.

Actuarial Assumption and Other Inputs – The total OPEB liability in the October 1, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal as a level percentage of payroll
Discount rate	3.1%
20-Year municipal bond rate	3.5%
Salary increases	3.5%
Mortality rates	RP 2014 Healthy Male and Female Tables based on the Combined Healthy Table for both pre and post-retirement
Healthcare cost trend rate	9.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends.

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

CITY OF SEBRING, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 – POSTEMPLOYMENT BENEFITS: (continued)

Changes to the Total OPEB Liability – Below are the details regarding the total OPEB liability for the measurement period from September 30, 2018 to September 30, 2019:

	Total OPEB Liability
Balance at September 30, 2018	\$ 880,664
Changes Recognized for the Fiscal Year:	
Service cost	13,287
Interest on the total OPEB liability	27,979
Changes in assumptions	70,113
Benefit payments	(96,487)
Net changes	14,892
Balance at September 30, 2019	\$ 895,556

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability to the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount that is one percentage point lower (2.1%) or one percentage point higher (4.1%) than the current discount rate:

	1% Decrease (2.1%)	Current Discount Rate (3.1%)	1% Increase (4.1%)
Total OPEB liability	\$ 998,052	\$ 895,556	\$ 815,125

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

	1% Decrease (8.0%)	Current Discount Rate (9.0%)	1% Increase (10.0%)
Total OPEB liability	\$ 795,456	\$ 895,556	\$ 1,019,397

NOTE 14 – RELATED PARTY TRANSACTIONS:

During the year the City and the Community Redevelopment Agency (“CRA”) had the following related party transactions:

The CRA contracted with Firehouse Digital Billboards, LLC, a business owned by a City council member, to provide digital billboard advertising and payments during the year amounted to \$9,950. The City contracted with Central Florida Aquatics, Inc., a business owned by a City employee, for aquatic spraying and payments for the year amounted to \$7,560. These services were procured in compliance with the City’s purchasing policies and before the employee was hired by the City.

NOTE 15 – CONTINGENCIES:

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In the opinion of the City’s management, legal counsel, and special legal counsel, these matters are not anticipated to have a material financial impact on the City.

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
POLICE OFFICERS' RETIREMENT TRUST FUND
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 380,644	\$ 363,014	\$ 335,631	\$ 347,080	\$ 368,970	\$ 363,710
Interest on total pension liability	1,302,386	1,248,993	1,252,158	1,215,355	1,128,981	1,040,362
Differences between expected and actual experience	333,428	164,104	(95,597)	(223,168)	(73,552)	(8,567)
Benefit payments, including refunds of member contributions	(579,496)	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Changes in assumptions	240,751	221,555	138,404	-	-	-
Net change in total pension liability	<u>1,677,713</u>	<u>471,810</u>	<u>206,179</u>	<u>1,089,451</u>	<u>1,172,534</u>	<u>1,163,699</u>
Total pension liability, beginning	<u>17,750,007</u>	<u>17,278,197</u>	<u>17,072,018</u>	<u>15,982,567</u>	<u>14,810,033</u>	<u>13,646,334</u>
Total pension liability, ending	<u>\$ 19,427,720</u>	<u>\$ 17,750,007</u>	<u>\$ 17,278,197</u>	<u>\$ 17,072,018</u>	<u>\$ 15,982,567</u>	<u>\$ 14,810,033</u>
Plan fiduciary net pension						
Contributions - City	\$ 486,016	\$ 374,381	\$ 421,046	\$ 509,592	\$ 575,679	\$ 632,015
Contributions - member	58,476	57,129	55,039	52,066	56,311	56,214
Net investment income	709,111	1,278,042	1,836,151	1,053,029	67,689	1,414,767
Benefit payments, including refunds of member contributions	(579,496)	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Administrative expenses	(45,006)	(32,400)	(31,475)	(28,658)	(22,296)	(16,786)
Net change in plan fiduciary net pension	<u>629,101</u>	<u>151,296</u>	<u>856,344</u>	<u>1,336,213</u>	<u>425,518</u>	<u>1,854,404</u>
Plan fiduciary net position, beginning	<u>17,307,954</u>	<u>17,156,658</u>	<u>16,300,314</u>	<u>14,964,101</u>	<u>14,538,583</u>	<u>12,684,179</u>
Plan fiduciary net position, ending	<u>\$ 17,937,055</u>	<u>\$ 17,307,954</u>	<u>\$ 17,156,658</u>	<u>\$ 16,300,314</u>	<u>\$ 14,964,101</u>	<u>\$ 14,538,583</u>
City's net pension (asset) liability	<u>\$ 1,490,665</u>	<u>\$ 442,053</u>	<u>\$ 121,539</u>	<u>\$ 771,704</u>	<u>\$ 1,018,466</u>	<u>\$ 271,450</u>
Plan fiduciary net position as a percentage of the total pension liability	92.33%	97.51%	99.30%	95.48%	93.63%	98.17%
Covered employee payroll	\$ 1,169,514	\$ 1,142,576	\$ 1,100,788	\$ 1,041,328	\$ 1,128,134	\$ 1,123,880
City's net pension liability as a percentage of covered employee payroll	127.46%	38.69%	11.04%	74.11%	90.28%	24.15%

Notes to Schedule

There have been no changes in benefits.

Change of assumptions:

The investment return assumption was lowered from 7.5% to 7.4% effective October 1, 2016 and to 7.3% on October 1, 2017. This assumption will be reduced by 0.1% each future year until 7.0% is reached.

In addition, the mortality assumption was changed from the RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected to all future years after 2000 using Scale AA to the mortality assumption used by the Florida Retirement System (FRS) for Special Risk Class members in their actuarial valuation as of July 1, 2016. The current FRS mortality tables are the RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
POLICE OFFICERS' RETIREMENT TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Schedule of Employer Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 486,016	\$ 374,381	\$ 421,046	\$ 509,592	\$ 602,818	\$ 604,876
Contributions in relation to the actuarially determined contribution	486,016	374,381	421,046	509,592	575,679	632,015
Contributions excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,139</u>	<u>\$ (27,139)</u>
Covered-employee payroll	\$1,169,514	\$1,142,576	\$1,100,788	\$1,041,328	\$1,128,134	\$1,123,880
Contributions as a percentage of covered-employee payroll	41.56%	32.77%	38.25%	48.94%	51.03%	56.24%

Notes to Schedule

Valuation date October 1, 2018
Actuarially determined contribution amounts are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	2.50% per year
Salary increases, including inflation	5.0%
Investment rate of return	7.2%
Retirement age	Experience-base table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.
Cost-of-living adjustments	3.0% effective each October 1 for service retirees who retire after 9/1/98.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
POLICE OFFICERS' RETIREMENT TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Schedule of Investment Returns

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	7.41%	7.26%	8.67%	7.72%	0.24%	7.67%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
MUNICIPAL FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 110,766	\$ 105,733	\$ 133,362	\$ 124,309	\$ 122,248	\$ 133,195
Interest on total pension liability	1,232,343	1,193,050	1,163,405	1,089,417	1,089,014	1,070,745
Change of benefit terms	(109)	-	-	-	-	-
Differences between expected and actual experience	(45,675)	24,883	164,277	(142,772)	(347,147)	-
Benefit payments, including refunds of member contributions	(1,066,313)	(935,564)	(1,172,457)	(854,991)	(867,149)	(1,011,803)
Changes in assumptions	163,355	176,094	189,466	866,110	-	151,324
Net change in total pension liability	<u>394,367</u>	<u>564,196</u>	<u>478,053</u>	<u>1,082,073</u>	<u>(3,034)</u>	<u>343,461</u>
Total pension liability, beginning	<u>16,221,764</u>	<u>15,657,568</u>	<u>15,179,515</u>	<u>14,097,442</u>	<u>14,100,476</u>	<u>13,757,015</u>
Total pension liability, ending	<u>\$ 16,616,131</u>	<u>\$ 16,221,764</u>	<u>\$ 15,657,568</u>	<u>\$ 15,179,515</u>	<u>\$ 14,097,442</u>	<u>\$ 14,100,476</u>
Plan fiduciary net pension						
Contributions - City	\$ 626,330	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions - member	17,608	17,129	17,940	22,149	21,222	20,518
Net investment income	612,041	869,867	1,242,879	895,002	42,513	856,594
Benefit payments, including refunds of member contributions	(1,068,646)	(933,231)	(1,172,457)	(854,991)	(867,149)	(1,011,803)
Administrative expenses	(36,287)	(44,288)	(55,704)	(36,940)	(17,129)	(29,663)
Net change in plan fiduciary net pension	<u>151,046</u>	<u>529,628</u>	<u>452,299</u>	<u>506,125</u>	<u>(221,334)</u>	<u>516,845</u>
Plan fiduciary net position, beginning	<u>13,251,274</u>	<u>12,721,646</u>	<u>12,269,347</u>	<u>11,763,222</u>	<u>11,984,556</u>	<u>11,467,711</u>
Plan fiduciary net position, ending	<u>\$ 13,402,320</u>	<u>\$ 13,251,274</u>	<u>\$ 12,721,646</u>	<u>\$ 12,269,347</u>	<u>\$ 11,763,222</u>	<u>\$ 11,984,556</u>
City's net pension liability	<u>\$ 3,213,811</u>	<u>\$ 2,970,490</u>	<u>\$ 2,935,922</u>	<u>\$ 2,910,168</u>	<u>\$ 2,334,220</u>	<u>\$ 2,115,920</u>
Plan fiduciary net position as a percentage of the total pension liability	80.66%	81.69%	81.25%	80.83%	83.44%	84.99%
Covered employee payroll	\$ 270,508	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
City's net pension liability as a percentage of covered employee payroll	1188.07%	1127.23%	1011.71%	854.06%	697.39%	670.31%

Notes to Schedule

Change in assumptions:

Investment rate of return	7.6%	7.7%	7.8%	7.9%	8.0%	8.0%
Change in rate	(0.1%)	(0.1%)	(0.1%)	(0.1%)	-	-

For the year 2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report.

For the year 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
MUNICIPAL FIREFIGHTERS' PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Schedule of Employer Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 626,330	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions in relation to the actuarially determined contribution	<u>626,330</u>	<u>620,151</u>	<u>419,641</u>	<u>480,905</u>	<u>599,209</u>	<u>681,199</u>
Contributions excess (deficiency)	<u>\$ -</u>					
Covered-employee payroll	\$ 263,521	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
Contributions as a percentage of covered-employee payroll	237.68%	235.33%	144.61%	141.13%	179.02%	215.80%

Notes to Schedule

Valuation date October 1, 2016

Actuarially determined contribution amounts are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Funding method Frozen Entry Age Actuarial Cost Method. The following loads are utilized for determination to the actuarially determined contribution:
Interest - A half-year, based on the investment return assumption.
Salary - a full-year, based on the current 7.0% assumptions.

Amortization method Level % of pay, closed

Remaining amortization period 26 years as of 10/1/2016 valuation

Actuarial asset method The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value returns (net of fees). Over time, this may result in an insignificant bias above or below the Market Value of Assets.

Interest rate 7.9% per year compounded annually, net of investment related expenses.

Salary increases 7.0% per year to the assumed retirement age. Projected salary at retirement is increased based on pensionable lump sums provided by the City.

Payroll growth None

Cost-of-living adjustments Hired before 6/30/71 - 4% per year following commencement of benefits.
Hired after 6/30/71 - 3% per year following commencement of benefits.

Retirement age Earlier of age 55 and 10 years of service or 25 years of service regardless of age.

Early retirement Commencing at the member's eligibility for Early Retirement (age 45).

Termination rates See table below.

Disability rates See table below. It is assumed that 75% of disability retirees and active member deaths that occur are service related.

Mortality
Healthy Lives:
Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB
Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB
Disabled Lives:
Male: 60% RP2000 Disabled Male setback 4 years/40% Annuitant White Collar with no setback, no projection scale
Female: 60% RP2000 Disabled Female set forward 2 years/40% Annuitant White Collar with no setback, no projection scale

Other information Termination and Disability Rate Table.

<u>Age</u>	<u>Percent Terminating</u>	<u>Percent Terminating</u>	<u>% Becoming Disabled</u>
20	3.0%	3.0%	0.14%
30	2.5%	2.5%	0.18%
40	1.3%	1.3%	0.30%
50	0.5%	0.5%	1.00%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
MUNICIPAL FIREFIGHTERS' PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Schedule of Investment Returns

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	4.72%	7.12%	10.32%	7.61%	0.35%	7.63%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
FOR THE YEAR ENDED 2019*
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability*	0.0188798%	0.0188798%	0.0147228%	0.0081646%	0.0080385%
City's proportionate share of the net pension liability*	\$ 5,686,695	\$ 5,686,695	\$ 4,354,915	\$ 2,061,574	\$ 1,038,279
City's covered - employee payroll*	\$ 5,123,628	\$ 5,123,628	\$ 4,372,065	\$ 3,458,477	\$ 3,096,064
City's proportionate share of the net pension liability as a percentage of its covered - employee payroll	110.99%	110.99%	99.61%	59.61%	33.54%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	84.26%	83.89%	84.88%	92.00%

*The amounts presented for each fiscal year were determined as of June 30

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30,
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 551,916	\$ 551,916	\$ 448,924	\$ 195,367	\$ 195,985
Contributions in relation to the contractually required contribution	<u>551,916</u>	<u>551,916</u>	<u>448,924</u>	<u>195,367</u>	<u>195,985</u>
Contributions deficiency (excess)	<u>\$ -</u>				
City's covered - employee payroll	\$ 5,146,259	\$ 5,146,259	\$ 4,734,451	\$ 3,403,190	\$ 3,105,524
Contributions as a percentage of covered - employee payro	10.72%	10.72%	9.48%	5.74%	6.31%

*The amounts presented for each fiscal year were determined as of September 30

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
FOR THE YEAR ENDED 2019*
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability*	0.0156870%	0.0156870%	0.0137139%	0.0111960%	0.0102051%
City's proportionate share of the net pension liability*	\$ 1,660,326	\$ 1,660,326	\$ 1,466,356	\$ 1,304,843	\$ 1,040,764
City's covered - employee payroll*	\$ 5,123,628	\$ 5,123,628	\$ 4,372,065	\$ 3,458,477	\$ 3,105,524
City's proportionate share of the net pension liability as a percentage of its covered - employee payroll	32.41%	32.41%	33.54%	37.73%	33.51%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	2.15%	1.64%	0.97%	0.50%

*The amounts presented for each fiscal year were determined as of June 30

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30,
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 85,428	\$ 85,428	\$ 78,596	\$ 56,493	\$ 39,010
Contributions in relation to the contractually required contribution	<u>85,428</u>	<u>85,428</u>	<u>78,596</u>	<u>56,493</u>	<u>39,010</u>
Contributions deficiency (excess)	<u>\$ -</u>				
City's covered - employee payroll	\$ 5,146,259	\$ 5,146,259	\$ 4,734,451	\$ 3,403,190	\$ 3,105,524
Contributions as a percentage of covered - employee payroll	1.66%	1.66%	1.66%	1.66%	1.26%

*The amounts presented for each fiscal year were determined as of September 30

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OTHER POST EMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30,
(UNAUDITED)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 12,659	\$ 12,659
Interest on the total OPEB liability	34,551	34,551
Benefit payments	<u>(104,919)</u>	<u>(104,919)</u>
Net change in total OPEB liability	(57,709)	(57,709)
Total OPEB liability - beginning, as restated	<u>938,373</u>	<u>938,373</u>
Total OPEB liability - ending	<u>\$ 880,664</u>	<u>\$ 880,664</u>
Covered-employee payroll	\$ 6,007,527	\$ 6,007,527
Total OPEB liability as a percentage of covered-employee payroll	14.66%	14.66%

*The amounts presented for each fiscal year were determined as of September 30

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,080,073	\$ 255,513	\$ 1,335,586
Receivables, net	360,521	-	360,521
Total Current Assets	<u>1,440,594</u>	<u>255,513</u>	<u>1,696,107</u>
Total Assets	<u>1,440,594</u>	<u>255,513</u>	<u>1,696,107</u>
Liabilities			
Current Liabilities			
Accounts payable	360,458	9,866	370,324
Accrued expenses	154,575	-	154,575
Unearned revenue	7,025	-	7,025
Total Current Liabilities	<u>522,058</u>	<u>9,866</u>	<u>531,924</u>
Total Liabilities	<u>522,058</u>	<u>9,866</u>	<u>531,924</u>
Net Position			
Unrestricted	918,536	245,647	1,164,183
Total Net Position	<u>\$ 918,536</u>	<u>\$ 245,647</u>	<u>\$ 1,164,183</u>

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
Operating Revenues			
Charges for service	\$ 2,503,750	\$ 814,990	\$ 3,318,740
Operating Expenses			
General and administrative	10,071	2,575	12,646
Professional	68,954	-	68,954
Insurance	422,317	647,419	1,069,736
Claims expense	2,044,789	48,553	2,093,342
Total Operating Expenses	<u>2,546,131</u>	<u>698,547</u>	<u>3,244,678</u>
Operating Income (Loss)	<u>(42,381)</u>	<u>116,443</u>	<u>74,062</u>
Nonoperating Revenues			
Investment earnings	8,752	11,311	20,063
Total Nonoperating Revenues	<u>8,752</u>	<u>11,311</u>	<u>20,063</u>
Change in Net Position	(33,629)	127,754	94,125
Total Net Position, beginning of year	<u>952,165</u>	<u>117,893</u>	<u>1,070,058</u>
Total Net Position, end of year	<u>\$ 918,536</u>	<u>\$ 245,647</u>	<u>\$ 1,164,183</u>

See Independent Auditor's Report

CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
Cash Flows From Operating Activities:			
Cash received from interfund services	\$ 2,512,832	\$ 787,419	\$ 3,300,251
Cash received from insurance	659,897	32,031	691,928
Cash payments for supplies and claims	<u>(3,307,646)</u>	<u>(690,758)</u>	<u>(3,998,404)</u>
Net cash provided (used) by operating activities	<u>(134,917)</u>	<u>128,692</u>	<u>(6,225)</u>
Cash Flows From Investing Activities:			
Interest on investments	8,752	11,311	20,063
Net cash provided by investing activities	<u>8,752</u>	<u>11,311</u>	<u>20,063</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(126,165)	140,003	13,838
Cash and Cash Equivalents, beginning of year	<u>1,206,238</u>	<u>115,510</u>	<u>1,321,748</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,080,073</u>	<u>\$ 255,513</u>	<u>\$ 1,335,586</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
Operating Income (Loss)	<u>\$ (42,381)</u>	<u>\$ 116,443</u>	<u>\$ 74,062</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	294,699	4,460	299,159
Increase (Decrease) in accounts payable	(521,940)	7,789	(514,151)
Increase in accrued expenses	129,575	-	129,575
Increase in unearned revenue	5,130	-	5,130
Total adjustments	<u>(92,536)</u>	<u>12,249</u>	<u>(80,287)</u>
Net cash provided (used) by operating activities	<u>\$ (134,917)</u>	<u>\$ 128,692</u>	<u>\$ (6,225)</u>

See Independent Auditor's Report

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

Honorable Mayor and Members of the City Council
City of Sebring, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Sebring, Florida's basic financial statements, and have issued our report thereon dated June 15, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

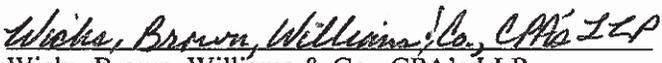
Honorable Mayor and Members of the City Council

Compliance and Other Matters

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

Purpose of this Report

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


Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

June 15, 2020

CITY OF SEBRING, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

STATUS OF PRIOR YEAR FINDINGS

Prior Year Findings		Current Year Status			Current Year Finding #	2017-2018 Year Finding #	2016-2017 Year Finding #
		Cleared	Partially Cleared	Not Cleared			
Accounting for Capital Assets	Internal Control	X			N/A	2018-001	2017-001

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Management Letter Comment

Finding 2019-001 – Community Redevelopment Agency’s (“CRA”) Purchasing:

Condition: During the current year audit, the CRA performed a construction project where by the engineer for the project procured the subcontractors needed to perform the project instead of the CRA procuring the services directly in accordance with the City’s purchasing polices. The engineer was under a continuing contract with the City for engineering services but not for the types of services the subcontractor was going to be performing so the CRA paid the subcontractor directly. In addition, the requisition was not entered into the procurement approval process until two days after the work started.

Criteria: Purchasing policies ensure the procurement of services are done using a competitive process to ensure the best quality and cost is obtained when using public funds.

Effect: The CRA incurred expenditures of \$74,583 on the project without a competitive procurement process.

Cause: A misunderstanding between the CRA and City’s purchasing agent in the initial planning meetings with the City for the project. The CRA thought the engineer under continuing contract could be utilized under the City purchasing policy to perform all aspects of the project and the City’s purchasing agent was not aware of the dollar amount and types of additional services being provided until receiving the requisition for the services.

Recommendation: We recommend the CRA consult with City’s Finance Department when needed to ensure purchasing is in accordance with the purchasing policy.

Views of Responsible City Officials: City management agrees with the finding. The City will coordinate with the CRA when the CRA performs future construction projects.

Views of Responsible CRA Officials: The CRA acted on the information and direction of the City’s purchasing agent who was present at planning meetings. The estimated amount of the project was included in the CRA budget and discussed at CRA board meetings as well as City department head meetings.

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MANAGEMENT LETTER

Honorable Mayor, Members of the City Council
City of Sebring, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Sebring, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 15, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 15, 2020, 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 action has been taken to address the finding and recommendation made in the preceding financial audit report related to accounting for capital assets.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Sebring, Florida was established by a special act of the State of Florida in 1925, Chapter 11158. The City is governed by both its charter, being the Laws of Florida 1929, Chapter 14311, as from time to time specifically amended by subsequent special acts and ordinances and other Florida Statutes that are applicable to municipalities. The 1929 Act was approved at a referendum held June 11, 1929. The City of Sebring included the following component unit:

Sebring Community Redevelopment Agency was created by City Ordinance Number 654 pursuant to Part III of chapter 163, Florida Statutes.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Sebring 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 of Sebring did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Sebring. It is management's responsibility to monitor the City of Sebring, Florida'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. See the Schedule of Findings and Responses finding 2019-001 in the current year findings and recommendations section.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit with the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

Honorable Mayor, Members of the City Council (continued)

City of Sebring, Florida's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, and the audit committee, management, Members of the City Council, and City Clerk, and is not intended to be and should not be used by anyone other than these specified parties.

Wicks, Brown, Williams & Co., CPAs LLP
Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

June 15, 2020

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Wicks, Brown, Williams & Co., CPA's LLP

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INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor, Members of the City Council
City of Sebring, Florida

We have examined the City of Sebring, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the fiscal year ended September 30, 2019. Management of the City of Sebring, Florida is responsible for the City of Sebring, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Sebring, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City of Sebring, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about the City of Sebring, Florida's compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Sebring, Florida's compliance with specified requirements.

In our opinion, the City of Sebring, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

Wicks, Brown, Williams & Co., CPA's LLP
Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

June 15, 2020

