



City of Frostproof
The Friendly City

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2015

City of Frostproof, Florida
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2015

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City of Frostproof
The Friendly City

INTRODUCTORY SECTION

City of Frostproof, Florida

LIST OF PRINCIPAL OFFICIALS

September 30, 2015

City Council

Mayor

Ralph Waters

Council Members

Rodney Cannon
Anne Dickinson
Martha M. Neher
Martin Sullivan

City Manager
Tenny R. Croley

City Attorney
Mark H. Smith

City Engineer
Steven A. Dutch

City Planner
Jennifer Codo-Salisbury

Finance Manager
Melody Sauerhafer

City Clerk
Nicole McDowell

Fire Chief
Clifford O. Cofer

Building Official
Clifton Smith

Library Director
Melissa D. Hadden

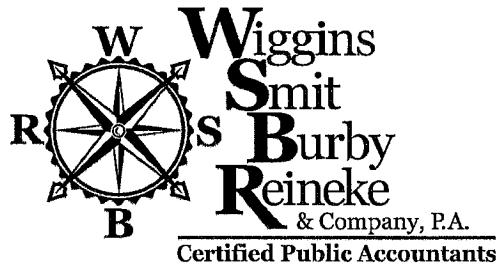
Public Services Director
James R. Keene

Utility Manager
Sharon A. Bass



City of Frostproof
The Friendly City

FINANCIAL SECTION



Turner A. Wiggins, C.P.A.
Donald J. Smit, C.P.A.
Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frostproof, Florida (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on pages C-1 through C-10 and F-1 through F-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the combining financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements 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 fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
Page Three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wiggins, Smit, Bueby, Reineke & Company, P.A.

August 3, 2016
Winter Haven, Florida



City of Frostproof
The Friendly City

MANAGEMENT'S DISCUSSION & ANALYSIS

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

The Management's Discussion and Analysis section provides an overview of the City of Frostproof's (the "City's") financial performance for the fiscal year ended September 30, 2015. Please consider this information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2015, by \$18,844,430 (net position). Of this amount, \$3,333,027 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased this year by \$278,017, or 1.5 percent as a result of operations and was decreased by \$125,190 as a result of a restatement due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*. For more detailed information see Note 1-F on page E-8.
- The City's governmental activities reported ending net position of \$7,559,829, a decrease of \$106,379 for the year. A decrease of \$175,853 was due to a reduction in revenue from Polk County for Fire Services.
- The City's business-type activities reported ending net position of \$11,284,601, a decrease of \$171,638 for the year.
- The City's total debt at the end of the year showed a net decrease of \$407,998.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the City as a Whole

Government-wide Financial Statements

The government-wide financial statements consist of two financial statements that address the financial position and results of operations of the City taken as a whole. These two financial statements are the Statement of Net Position and the Statement of Activities. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are recorded regardless of when cash is received or paid.

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

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Government-wide Financial Statements (Cont'd)

The **Statement of Activities** presents total revenues and total expenses of the City with the difference between the two equaling the increase or decrease in net position during the year.

The information in each of these two statements presents the activity of the City as governmental activities or business-type activities.

- **Governmental activities** - This category of the government-wide financial statements represents those activities provided by the City, not financed by the imposition of a user fee assessed directly and exclusively against the users of those activities. These activities of the City include general government, public safety, transportation (streets), culture (library, City Hall auditorium, etc.), and community affairs (recreations and parks). Property taxes, franchise and utility taxes, and intergovernmental revenues finance most of these activities.
- **Business-type activities** - This category of the government-wide financial statements includes those activities which the City charges a fee to customers to cover all or most of the cost of the services the City provides. These business-type activities consist of water, wastewater treatment, sanitation, and stormwater services.

The government-wide financial statements include only the City of Frostproof. There are no component units.

Reporting the City's Most Significant Funds

Fund Financial Statements

This is the second section of the basic financial statements. These statements present information that centers on individual funds. A fund is a grouping of related accounts that provides control over the resources that are segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City are divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds - Governmental funds 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.

The reason for this different accounting approach is that the activities in these funds are not financed from a direct user fee. As a result, there is no emphasis placed on measuring annual net profit or loss resulting from those operations. Instead, the accounting for these funds focuses on whether there will be enough cash flow available in a given year to finance the costs of providing services. The emphasis is more focused on activities occurring within a one-year budget period rather than the long-term.

Reconciliation schedules within these fund financial statements provide the differences between the modified accrual basis of accounting used in these governmental fund financial statements and the full accrual basis of accounting used in the government-wide financial statements.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Fund Financial Statements-Governmental funds (Cont'd)

The City has one major governmental fund referred to as the General Fund. The General Fund accounts for the activities of a variety of different programs that are not financed from direct user charges. As a major fund, the General Fund is accounted for in a separate column on the governmental fund financial statements. All of the other governmental funds of the City are reported collectively as other governmental funds and consolidate into a single column of information titled "other governmental funds". This column represents the activity of the City's special revenue funds, which are segregated from the General Fund due to legal requirements, regulatory provisions or administrative action.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule is provided to demonstrate compliance with the budget.

The governmental fund financial statements are immediately following the government-wide financial statements. The budgetary comparison schedule for the General Fund is outside of the basic financial statements in a section of this report titled "required supplementary information".

Proprietary funds - Proprietary funds are those funds classified as business-type activities in the government-wide financial statements. The basis of accounting used within these statements is the same full accrual method used in the private sector, where the intent is that the costs of providing goods and services are financed primarily through user charges. There is no difference between the basis of accounting used in the government-wide statements and the proprietary fund financial statements.

The City has only one proprietary fund, the Enterprise Fund. This fund appears in the only column in the proprietary funds financial statements.

Fiduciary funds - Fiduciary funds account for the activities of the City's pension trust funds. These activities benefit parties outside the City, such as retired City employees. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting basis used for fiduciary funds is similar to that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements comprise the third section of the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the three components included in the basic financial statements, this annual financial report also includes supplementary information described as follows:

Required supplementary information - This section of the report includes the following additional information: 1) schedules that compare the annual operating budgets adopted by the City for the major governmental funds to the actual revenues and expenditures reported for the year; and 2) trend information regarding the performance of the City's pensions trust funds and the City's obligation for other postemployment benefits.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Other Information (Cont'd)

Other supplementary information - This section of the report includes detailed combining financial information for each of the various funds of the City that were aggregated into consolidated columns within the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - Net position may serve as a useful indicator over time of a government's financial position. In the current year, the City's combined net position as of September 30, 2015 was \$18,844,430. The City's combined revenues, including contributions, grants, taxes and charges for services were \$4,148,879. Total city-wide expenses were \$4,426,896. The decrease to city-wide net position was \$278,017. The following schedule is the condensed Statement of Net Position for the current and the prior years. For more detailed information see the Statement of Net Position on page D-1.

Statement of Net Position (Summary)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,643,871	\$ 3,319,722	\$ 1,517,677	\$ 1,987,961	\$ 5,161,548	\$ 5,307,683
Capital assets	4,450,028	4,708,506	13,991,112	14,274,197	18,441,140	18,982,703
Total assets	<u>8,093,899</u>	<u>8,028,228</u>	<u>15,508,789</u>	<u>16,262,158</u>	<u>23,602,688</u>	<u>24,290,386</u>
Deferred outflows	242,628	-	27,592	-	270,220	-
Current liabilities	60,376	84,498	158,001	434,030	218,377	518,528
Non-current liabilities	640,411	52,218	4,065,302	4,472,003	4,705,713	4,524,221
Total liabilities	<u>700,787</u>	<u>136,716</u>	<u>4,223,303</u>	<u>4,906,033</u>	<u>4,924,090</u>	<u>5,042,749</u>
Deferred inflows	75,912	-	28,477	-	104,389	-
Net Position:						
Invested in capital assets, net of related debt	4,450,028	4,708,506	9,904,003	9,520,785	14,354,031	14,229,291
Restricted	936,547	912,412	220,825	556,045	1,157,372	1,468,457
Unrestricted	2,173,254	2,270,594	1,159,773	1,279,295	3,333,027	3,549,889
Total net position	<u>\$ 7,559,829</u>	<u>\$ 7,891,512</u>	<u>\$ 11,284,601</u>	<u>\$ 11,356,125</u>	<u>\$ 18,844,430</u>	<u>\$ 19,247,637</u>

Net Position - Invested in Capital Assets - The largest portion of the City's net position, 76.17%, reflects its investments in capital assets (e.g., land, buildings, equipment and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position - Restricted - Restricted net position, representing 6.14% of total net position, are subject to external restrictions on how they may be used.

Net Position - Unrestricted - Unrestricted net position comprises 17.69% of total net position and may be used to meet the City's ongoing obligations to citizens and creditors.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

As of September 30, 2015, the City is able to report positive balances in all three categories of net position, for the City as a whole.

Statement of Activities - Revenues and expenses are presented in the following table which reflects the condensed Statement of Activities for the current and the prior years. For more detailed information see the Statement of Activities on page D-2.

Statement of Activities (Summary)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 224,703	\$ 392,636	\$ 1,720,097	\$ 1,699,064	\$ 1,944,800	\$ 2,091,700
Operating grants/contrib.	242,780	238,600	-	-	242,780	238,600
Capital grants/contrib.	104,979	103,847	60,571	152,424	165,550	256,271
General revenues:						
Property taxes	880,487	873,121	-	-	880,487	873,121
Franchise and utility taxes	601,345	621,806	-	-	601,345	621,806
Intergovernmental revenues, unrestricted	285,480	271,887	-	-	285,480	271,887
Impact fees	-	1,908	-	2,400	-	4,308
Investment earnings, unrestricted	11,901	9,946	4,361	7,161	16,262	17,107
Other revenues	12,175	12,435	-	-	12,175	12,435
Total revenues	2,363,850	2,526,186	1,785,029	1,861,049	4,148,879	4,387,235
Expenses:						
General government	494,213	536,026	-	-	494,213	536,026
Public safety	1,167,486	1,208,437	-	-	1,167,486	1,208,437
Transportation	427,882	421,248	-	-	427,882	421,248
Culture	254,752	258,951	-	-	254,752	258,951
Community affairs	125,896	115,667	-	-	125,896	115,667
Water and wastewater treatment	-	-	1,572,367	1,433,045	1,572,367	1,433,045
Sanitation	-	-	324,874	319,371	324,874	319,371
Stormwater	-	-	59,426	67,784	59,426	67,784
Total expenses	2,470,229	2,540,329	1,956,667	1,820,200	4,426,896	4,360,529
Change in net position	(106,379)	(14,143)	(171,638)	40,849	(278,017)	26,706
Net position - Beginning	7,891,512	7,905,655	11,356,125	11,315,276	19,247,637	19,220,931
Restatement - GASB 68	(225,304)	-	100,114	-	(125,190)	-
Net position - Restated	7,666,208	7,905,655	11,456,239	11,315,276	19,122,447	19,220,931
Net position - Ending	\$ 7,559,829	\$ 7,891,512	\$ 11,284,601	\$ 11,356,125	\$ 18,844,430	\$ 19,247,637

Governmental Activities - Governmental activities decreased the City's net position by \$106,379, as compared to a decrease of \$14,143 for the prior year.

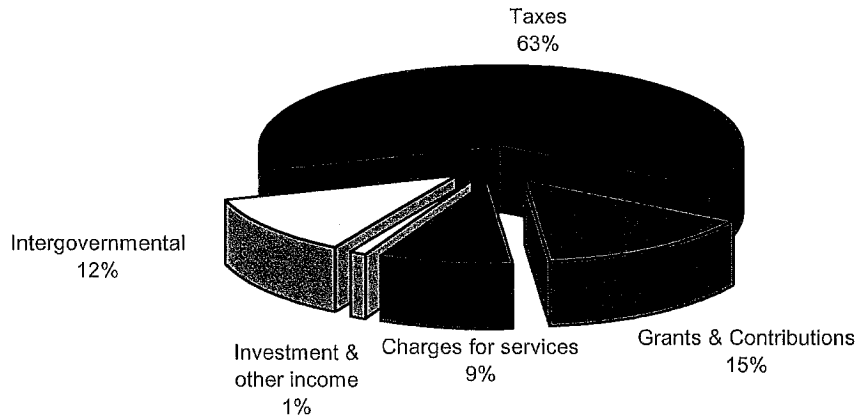
Business-type Activities - Business-type activities decreased the City's net position by \$171,638, as compared to an increase of \$40,849 for the previous year.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

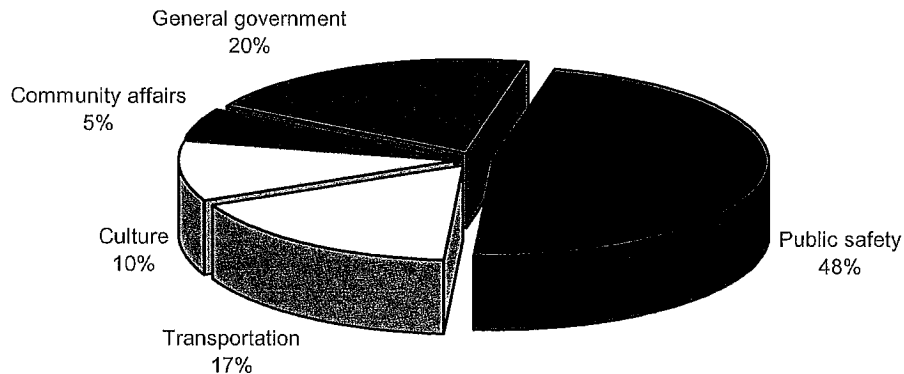
The following pie chart illustrates revenues of governmental activities by source for the year ended September 30, 2015. Taxes, which include property, franchise and utility taxes, comprise 63% of the revenues in the City's governmental activities. Taxes decreased \$13,095 from the prior year.

Revenues by Source - Governmental Activities



The following pie chart illustrates expenses of governmental activities for the year ended September 30, 2015. Public safety is the largest expense and comprises 48% of the expenses in the City's governmental activities. This department decreased by \$40,951 from the prior year.

Expenses - Governmental Activities

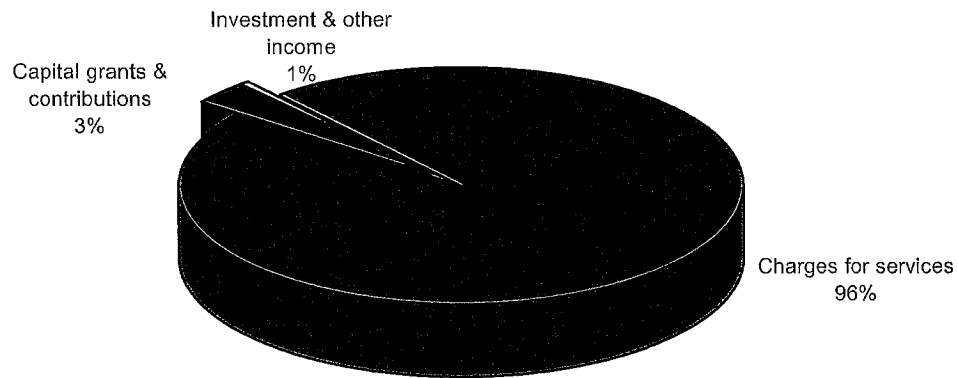


City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

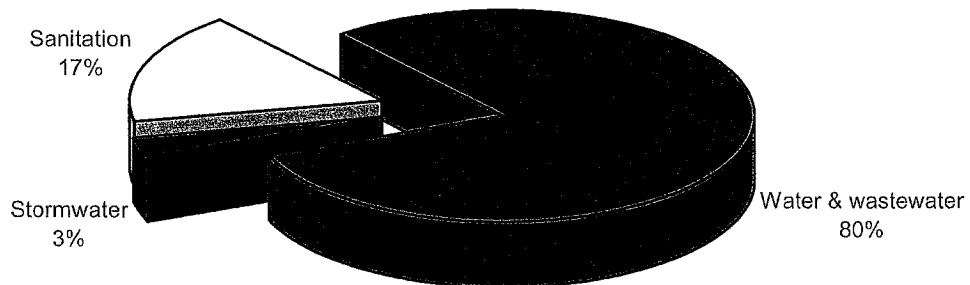
The following pie chart illustrates revenues of business-type activities by source for the year ended September 30, 2015. Charges for services comprise 96% of the revenues in the City's business-type activities. Charges for services increased by \$21,033 from the prior year.

Revenues by Source - Business -Type Activities



The following pie chart illustrates expenses of business-type activities for the year ended September 30, 2015. The water and wastewater system accounts for 80% of the expenses in the City's business-type activities. Water and wastewater system expenses increased by \$139,322 from the prior year.

Expenses - Business -Type Activities



City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Frostproof uses fund accounting to segregate the transactions of the City into specific types of operations.

Governmental Funds - The fund financial statements for the governmental funds are provided on pages D-3 to D-6 of this report. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and its ability to withstand financial emergencies that may occur in the future.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balance of \$3,149,910, of which \$2,050,038 represented unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$1,099,872, is nonspendable, restricted, committed or assigned as indicated and not available for new spending. Total fund balance in the prior year was \$3,133,562, of which \$2,098,105 represented unassigned fund balance.

The City maintains one separate governmental fund classified as a major fund - the General Fund. Two other funds are reported collectively as other governmental funds. The General Fund is the chief operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

At the end of the year, the unassigned fund balance of the General Fund decreased by \$48,451 to \$2,056,215, while total fund balance increased by \$16,555 to \$3,149,948.

Proprietary Funds - The City's proprietary fund, the Enterprise Fund, provides the same type of information found in the government-wide financial statements, but in more detail. The fund financial statements for the proprietary fund are provided on pages D-7 to D-10 of this report.

Factors concerning the finances of the proprietary fund have been addressed in the discussion of the City's business-type activities.

Fiduciary Funds - The City uses fiduciary funds to report assets held in a trustee or agency capacity that are therefore, not available to support City programs. General and Police Pension Trust Funds are presented in the fiduciary fund financial statements on pages D-11 to D-12 of this report.

BUDGETARY HIGHLIGHTS

The General Fund's budgetary comparison schedule is presented in this report on page F-1. The City revised its original budget on November 16, 2015 to reflect changes in expenditures and revenues.

The General Fund exceeded its budget in the Transportation Department by \$4,189 due to the reclassification of capital to maintenance and repair and an adjustment in accrued wages liability.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounted to \$18,441,139, net of accumulated depreciation. This investment includes land, buildings, improvements, vehicles, equipment, furnishings, water and wastewater treatment system and stormwater system. This amount represents a net decrease of \$541,564 or 2.9% over last year primarily because current year depreciation expense exceeded new additions.

The following table provides a comparative summary of net capital assets by category for both governmental and business-type activities.

**Capital Assets
(Net of Depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 167,836	\$ 167,836	\$ 80,318	\$ 69,371	\$ 248,154	\$ 237,207
Buildings	2,473,210	2,582,405	-	-	2,473,210	2,582,405
Intangible assets	-	-	105,300	105,300	105,300	105,300
Idle assets	-	-	216,537	216,937	216,537	216,937
Improvements other than buildings	766,729	810,795	-	-	766,729	810,795
Machinery and equipment	551,024	632,667	223,378	259,791	774,402	892,458
Infrastructure	491,229	514,803	-	-	491,229	514,803
Water and sewer system	-	-	12,666,982	11,857,894	12,666,982	11,857,894
Stormwater system	-	-	604,504	627,219	604,504	627,219
Construction in progress	-	-	94,093	1,137,685	94,093	1,137,685
Net assets	<u>\$ 4,450,028</u>	<u>\$ 4,708,506</u>	<u>\$ 13,991,112</u>	<u>\$ 14,274,197</u>	<u>\$ 18,441,140</u>	<u>\$ 18,982,703</u>

With the implementation of GASB Statement No. 34 the City began capitalizing infrastructure assets prospectively and elected not to retroactively capitalize these assets.

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

- Water Main Loop Project
- City-wide Water Meter Replacement Project

Additional information on the City's capital assets can be found in Note 3-B on pages E-14 to E-15 of this report.

Debt Administration

At the end of the current fiscal year, the City had total debt outstanding in the amount of \$4,041,996 in bonds and loans payable. The following table provides a comparative summary of the City's outstanding debt.

City of Frostproof, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (Cont'd)

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds payable, net	\$ -	\$ -	\$ 1,376,845	\$ 1,448,221	\$ 1,376,845	\$ 1,448,221
Loans payable	-	-	2,665,151	3,001,773	2,665,151	3,001,773
Total debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,041,996</u>	<u>\$ 4,449,994</u>	<u>\$ 4,041,996</u>	<u>\$ 4,449,994</u>

Debt retired on loans payable totaled \$407,999

Additional information on the City's debt can be found in Notes 3-E and 3-F on pages E-16 to E-19 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In 2006 the City contracted with the Polk County Sheriff's Office to provide law enforcement services. In May 2014, the contract was amended to extend services through September 30, 2017.

Next year the City will not receive any revenue from Polk County for fire services rendered by the Frostproof Fire Department. The first revenue from the fire tax will be received in the 2016/2017 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City's Finance Manager at the Frostproof City Hall, 111 West First Street, Frostproof, Florida.



City of Frostproof
The Friendly City

BASIC FINANCIAL STATEMENTS

City of Frostproof, Florida

STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,753,118	\$ 917,702	\$ 2,670,820
Investments	375,136	-	375,136
Receivables, current:			
Customer accounts, net	-	131,029	131,029
Franchise and utility service taxes	48,986	8,109	57,095
Intergovernmental	89,816	23,150	112,966
Notes receivable	5,840	-	5,840
Prepaid police pension	23,521	-	23,521
Restricted cash and cash equivalents	936,547	290,506	1,227,053
Net pension asset/advance contributions	410,907	147,181	558,088
Capital assets:			
Nondepreciable	167,836	496,247	664,083
Depreciable, net	<u>4,282,192</u>	<u>13,494,865</u>	<u>17,777,057</u>
Total assets	<u>8,093,899</u>	<u>15,508,789</u>	<u>23,602,688</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	<u>242,629</u>	-	<u>242,629</u>
Total deferred outflows of resources	<u>242,629</u>	-	<u>242,629</u>
LIABILITIES			
Accounts payable	28,470	-	28,470
Accrued wages	7,464	-	7,464
Liabilities payable from restricted assets:			
Customer deposits	-	-	0
Interest payable	-	-	0
Unearned revenue	24,442	-	24,442
Net pension liability	580,527	-	580,527
Noncurrent liabilities:			
Due within one year	59,884	69,682	129,566
Due in more than one year	<u>-</u>	<u>1,305,469</u>	<u>1,305,469</u>
Total liabilities	<u>700,787</u>	<u>1,375,151</u>	<u>2,075,938</u>
DEFERRED INFLOWS OF RECOURCES			
Deferred inflows of resources	<u>75,912</u>	<u>4,223,303</u>	<u>4,299,215</u>
Total deferred inflows of resources	<u>75,912</u>	<u>4,223,303</u>	<u>4,299,215</u>
NET POSITION			
Invested in capital assets, net of related debt	4,450,028	28,477	4,478,505
Restricted for:			
Debt service	-	-	-
Capital improvements	58,046	-	58,046
Public safety	-	-	-
Unrestricted	<u>3,051,755</u>	<u>11,256,124</u>	<u>14,307,879</u>
Total net position	<u>\$ 7,559,829</u>	<u>\$ 11,284,601</u>	<u>\$ 18,844,430</u>

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

City of Frostproof, Florida

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 494,213	\$ 71,946	-	-	\$ (422,267)	\$ -	\$ (422,267)
Public safety	1,167,486	115,347	24,367	10,155	(1,017,617)	-	(1,017,617)
Transportation	427,882	28,197	179,629	94,420	(125,636)	-	(125,636)
Culture	254,752	9,213	38,224	404	(206,911)	-	(206,911)
Community affairs	125,896	-	560	-	(125,336)	-	(125,336)
Total governmental activities	<u>2,470,229</u>	<u>224,703</u>	<u>242,780</u>	<u>104,979</u>	<u>(1,897,767)</u>	<u>-</u>	<u>(1,897,767)</u>
Business-type Activities:							
Water and wastewater treatment	1,572,367	1,299,673	-	60,571	-	(212,123)	(212,123)
Sanitation	324,874	369,380	-	-	-	44,506	44,506
Stormwater	59,426	51,044	-	-	-	(8,382)	(8,382)
Total business-type activities	<u>1,956,667</u>	<u>1,720,097</u>	<u>-</u>	<u>60,571</u>	<u>-</u>	<u>(175,999)</u>	<u>(175,999)</u>
Total government	<u>\$ 4,426,896</u>	<u>\$ 1,944,800</u>	<u>\$ 242,780</u>	<u>\$ 165,550</u>	<u>(1,897,767)</u>	<u>(175,999)</u>	<u>(2,073,766)</u>
General Revenues:							
Property taxes					880,487	-	880,487
Franchise and utility taxes					601,345	-	601,345
Intergovernmental revenues, unrestricted					285,480	-	285,480
Investment earnings, unrestricted					11,901	4,361	16,262
Miscellaneous					12,175	-	12,175
Total general revenues					<u>1,791,388</u>	<u>4,361</u>	<u>1,795,749</u>
Change in Net Position					<u>(106,379)</u>	<u>(171,638)</u>	<u>(278,017)</u>
Net position, Beginning of Year					7,891,512	11,356,125	19,247,637
Restatement due to implementation of GASB 68 - Note 1-F					<u>(225,304)</u>	<u>100,114</u>	<u>(125,190)</u>
Net position, Beginning of Year as restated					7,666,208	11,456,239	19,122,447
Net position, End of Year					<u>\$ 7,559,829</u>	<u>\$ 11,284,601</u>	<u>\$ 18,844,430</u>

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

City of Frostproof, Florida

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,746,710	\$ 6,408	\$ 1,753,118
Investments	375,136	-	375,136
Receivables, current:			
Franchise and utility service taxes	48,986	-	48,986
Intergovernmental	89,816	-	89,816
Notes receivable	5,840	-	5,840
Prepaid items	23,521	-	23,521
Advances to other funds	6,446	-	6,446
Restricted assets:			
Cash and cash equivalents	936,547	-	936,547
Total assets	\$ 3,233,002	\$ 6,408	\$ 3,239,410
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 28,470	\$ -	\$ 28,470
Accrued wages	7,464	-	7,464
Advances from other funds	-	6,446	6,446
Unearned revenue	24,442	-	24,442
Total liabilities	60,376	6,446	66,822
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	22,678	-	22,678
Total deferred inflows of resources	22,678	-	22,678
Fund Balances:			
Nonspendable:			
Advances to other funds	6,446	-	6,446
Prepaid expenses	23,521	-	23,521
Restricted for:			
Cultural activities	-	6,139	6,139
Public safety	58,046	-	58,046
Capital improvements	84,908	-	84,908
Transportation improvements	793,593	-	793,593
Committed for:			
City Centennial	6,000	-	6,000
Community Center improvements	68,000	-	68,000
Public safety	3,467	-	3,467
Assigned to:			
Capital improvements	49,752	-	49,752
Unassigned	2,056,215	(6,177)	2,050,038
Total fund balances (deficit)	3,149,948	(38)	3,149,910
Total liabilities and fund balances	\$ 3,233,002	\$ 6,408	\$ 3,239,410

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

City of Frostproof, Florida
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2015

Fund Balances - Total Governmental Funds	\$ 3,149,910
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	4,450,025
Revenues in the statement of activities that do not provide current financial resources and are reported as deferred inflow of resources in the governmental funds	22,678
Net pension asset is not available to pay current period expenditures and therefore is not reported as assets in the governmental funds	410,907
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore are not reported in the governmental funds:	
Deferred outflows related to pensions	242,629
Deferred inflows related to pensions	(75,912)
Certain long-term liabilities, including certain accounts payable, compensated absences, and pension liability are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
Accrued compensated absences	(59,884)
Net pension liability	<u>(580,527)</u>
Net position of governmental activities	<u>\$ 7,559,826</u>

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

City of Frostproof, Florida
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 880,487	\$ -	\$ 880,487
Franchise and utility taxes	601,345	-	601,345
Licenses and permits	52,867	-	52,867
Intergovernmental	626,534	-	626,534
Charges for services	139,987	3,496	143,483
Fines and forfeitures	980	-	980
Impact fees	0	-	-
Investment income	11,900	1	11,901
Other	29,431	404	29,835
Total revenues	2,343,531	3,901	2,347,432
EXPENDITURES			
Current:			
General government	432,951	-	432,951
Public safety	1,197,379	-	1,197,379
Transportation	389,232	-	389,232
Culture	190,870	-	190,870
Community affairs	77,800	-	77,800
Capital outlay	38,744	4,108	42,852
Total expenditures	2,326,976	4,108	2,331,084
<hr/>			
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	16,555	(207)	16,348
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	16,555	(207)	16,348
Fund Balances (Deficit), Beginning of Year	3,133,390	(38)	3,133,352
Fund Balances (Deficit), End of Year	\$ 3,149,945	\$ (245)	\$ 3,149,700

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

City of Frostproof, Florida
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	16,348
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
The amount of capital assets recorded in the current period		41,885
The depreciation expense for the current period		(292,041)
Revenues included in the government-wide statement of activities not reported in the current year as revenues in the statement of revenues, expenses and changes in fund balance-governmental funds		16,838
Revenues recognized in the governmental funds recognized in statement of activities in a prior year		(3,560)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Loss on disposition of capital assets		(8,324)
Change in accrued compensated absences		(7,666)
Police pension expense reported in the statement of revenues, expenses and changes in fund balance-governmental funds differs from pension expenditures as reported in the government-wide statement of activities		
Change in deferred outflows/inflows related to pensions		166,717
Change in net pension asset/liability		(36,579)
Change in net position of governmental activities	\$	<u>(106,382)</u>

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

City of Frostproof, Florida
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 917,702
Receivables:	
Customers, net	131,029
Franchise and utility service taxes	8,109
Intergovernmental	23,150
Restricted cash and cash equivalents	<u>109,527</u>
Total current assets	<u>1,189,517</u>
Noncurrent assets:	
Restricted cash and cash equivalents	180,979
Capital assets, net of accumulated depreciation	13,991,112
Net pension asset/advance contributions	<u>147,181</u>
Total noncurrent assets	<u>14,319,272</u>
Total assets	<u>15,508,789</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>27,592</u>
Total deferred outflows of resources	<u>27,592</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	85,834
Accrued wages	2,485
Liabilities payable from restricted assets:	
Customer deposits	53,000
Interest payable	16,682
Compensated absences	23,306
Bonds and notes payable - Current portion	<u>191,593</u>
Total current liabilities	<u>372,900</u>
Noncurrent liabilities:	
Revenue bonds	1,305,469
Notes payable	<u>2,544,934</u>
Total noncurrent liabilities	<u>3,850,403</u>
Total liabilities	<u>4,223,303</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	<u>28,477</u>
Total deferred inflows of resources	<u>28,477</u>
 NET POSITION	
Invested in capital assets, net of related debt	9,904,003
Restricted:	
Debt service	133,635
Capital improvements	87,190
Unrestricted	<u>1,159,773</u>
Total net position	<u>\$ 11,284,601</u>

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

City of Frostproof, Florida
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2015

	Enterprise Fund
Operating Revenues:	
Charges for services:	
Water and wastewater (Pledged as security for revenue bonds)	\$ 1,299,673
Stormwater	51,044
Assessment and franchise fees - Sanitation	369,380
Total operating revenues	1,720,097
Operating Expenses:	
Personal services	268,568
Contract services	77,513
Depreciation and amortization	767,389
Insurance	42,304
Materials and supplies	68,127
Repairs and maintenance	145,796
Sanitation fees	287,812
Utilities	102,786
Miscellaneous	15,412
Total operating expenses	1,775,707
Operating Income (Loss)	(55,610)
Non-Operating Revenues (Expenses):	
Investment revenue	4,361
Gain (loss) on disposition of capital assets	(36,081)
Interest expense	(144,879)
Total non-operating revenues (expenses)	(176,599)
Income (loss) before contributions and grants	(232,209)
Capital Grants	60,571
Change in net position	(171,638)
Net Position, Beginning of Year	11,356,125
Cumulative effect of change in accounting principal	100,114
Net Position, Beginning of Years as restated	11,456,239
Net Position, End of Year	\$ 11,284,601

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

City of Frostproof, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2015

	Enterprise Fund
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,718,305
Payments to suppliers for goods and services	(751,790)
Payments to employees for services	(283,248)
Net cash provided (used) by operating activities	683,267
 Cash Flows From Capital and Related Financing Activities:	
Proceeds from capital grants	52,986
Principal payments on long-term debt	(407,998)
Interest paid on capital debt	(147,750)
Acquisition and construction of capital assets	(772,869)
Net cash provided (used) by capital and related financing activities	(1,275,631)
 Cash Flows From Investing Activities:	
Investment revenue	4,361
Net cash provided (used) by investing activities	4,361
Net increase (decrease) in cash and cash equivalents	(588,003)
Cash and cash equivalents, Beginning of Year	1,796,211
Cash and cash equivalents, End of Year	\$ 1,208,208
 Reconciliation of cash and cash equivalents:	
Current Assets:	
Cash	\$ 917,702
Restricted cash	109,527
Noncurrent Assets:	
Restricted cash	180,979
Total cash and cash equivalents at year end	\$ 1,208,208

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

City of Frostproof, Florida
STATEMENT OF CASH FLOWS (Cont'd)
PROPRIETARY FUNDS
For the Year Ended September 30, 2015

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income (loss)	\$ (55,610)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	767,389
Bad debts, net of recoveries	4,477
Change in assets and liabilities:	
(Increase) Decrease in accounts receivable	(5,167)
(Increase) Decrease in net pension asset/contribution	(9,330)
(Increase) Decrease in deferred outflow of resources	(27,592)
(Increase) Decrease in accounts payable	(16,519)
(Increase) Decrease in compensated absences payable	1,297
(Increase) Decrease in accrued wages	(7,530)
(Increase) Decrease in customer deposits	3,375
(Increase) Decrease in deferred inflow of resources	<u>28,477</u>
Net cash provided by operating activities	<u>\$ 683,267</u>

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

City of Frostproof, Florida
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2015

	<u>Pension Trust Funds</u>
ASSETS	
Investments	\$ 4,892,820
Receivables:	
Due from other governments	22,367
Due from broker	3,329
Accrued interest and dividends	9,479
Prepaid items	<u>10,242</u>
Total assets	<u>4,938,237</u>
LIABILITIES	
Accounts payable:	
Due to broker for transactions	6,544
Prefunded contribution	<u>23,521</u>
Total liabilities	<u>30,065</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 4,908,172</u>

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

City of Frostproof, Florida
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2015

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer:	
City	\$ 189,352
Other	25,398
Employee	6,675
On-behalf payments - State of Florida	22,367
Total contributions	243,792
Net investment income (loss):	
Investment income (loss)	(75,425)
Total investment income (loss)	(75,425)
Less investment advisor fee	35,740
Net investment income (loss)	(111,165)
Total additions, net	132,627
DEDUCTIONS	
Benefits paid	174,076
Lump sum payments, former plan members	1,434
Administrative expense	27,037
Total deductions	202,547
Change in net position	(69,920)
Net Position, Beginning of Year	4,978,092
Net Position, End of Year	\$ 4,908,172

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

City of Frostproof, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Frostproof, Florida (the "City") is a political subdivision of the State of Florida created by a Home Rule Charter adopted by Ordinance 342 on May 9, 1977, and approved by referendum on May 17, 1977, under the municipal home rule powers act, Florida Statutes Chapter 166.

The City operates under a Council-Manager form of government and provides general municipal services to the citizens of the City of Frostproof. These services include police and fire protection, parks and recreation, library, transportation and general administrative services. Police protection is currently subcontracted out to the Polk County Sheriff's Office. The City also operates water, wastewater treatment, sanitation and stormwater utility systems. Currently, a board of five elected Council members governs the City.

The financial statements of the City are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

B. Reporting Entity

The City's basic financial statements include the accounts of all City operations and any "legally separate" entities ("component units") required by generally accepted accounting principles (GAAP) to be included in the reporting entity.

The financial statements of the primary government are required to include those "legally separate" entities, referred to as component units, which meet the criteria for inclusion in the reporting entity by virtue of the significance of their operational or financial relationships with the City.

In applying these criteria, management has determined that there are no component units to be included within the City's reporting entity.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The City's basic financial statements consist of both government-wide statements (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

The government-wide statements report information on all the activities of the City with the exception of fiduciary (employee pension trust) activities which are excluded because their resources are not available to support the City's programs.

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

The City's police and fire protection, transportation, library, community affairs (recreation and parks) and general administrative services are classified as governmental activities. The City's water, wastewater treatment, sanitation and stormwater services are classified as business-type activities.

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government-wide Statement of Net Position presents both the governmental and business-type activities in separate consolidated columns. This statement recognizes all long-term assets (capital assets) and receivables as well as long-term debt and obligations of the City. The City's net position is reported in three parts: (1) invested in capital assets, net of related debt, (2) restricted net position, and (3) unrestricted net position.

The government-wide Statement of Activities presents the gross and net cost of each of the City's primary activities. Gross expenses, which include depreciation, are expenses clearly identifiable with each specific activity. Program revenues are those revenues directly derived from each activity, such as charges to customers who directly benefit from services provided by the activity, or grants and contributions restricted for use by a specific activity. Taxes and other revenue items not properly included as program revenues are reported as general revenues.

Fund Financial Statements:

These financial statements are organized into funds, each of which is considered to be a separate accounting entity with a self-balancing set of accounts. Separate statements are presented for governmental and proprietary activities. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. The criteria for a major fund are based on each fund's assets, liabilities, revenues and expenditures/expenses in relationship to all the funds of the City. The City's major funds are the General Fund and the Enterprise Fund.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 30 days after year end. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is utilized by all proprietary and fiduciary funds.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Fund Financial Statements (Cont'd)

Funds are classified into three categories: governmental, proprietary and fiduciary. The funds used by the City are as follows:

Governmental Funds:

Governmental funds are used to account for all or most of a government's general activities. The City's major governmental fund follows:

General Fund - The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

The other governmental funds of the City are considered non-major and are described as follows:

Special Revenue Funds - Special Revenue Funds are used to account for revenue sources that are usually restricted by law, regulation, or administrative action.

Proprietary Funds:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The City's proprietary fund is as follows:

Enterprise Fund - The Enterprise Fund is used to account for operations that are ~~financed and operated in a manner similar to private business enterprises where the~~ costs (expenses, including depreciation) of providing water, wastewater treatment, sanitation and stormwater services to the general public on a continuing basis are financed through user charges.

Fiduciary Funds:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or on behalf of other funds within the government. The City's fiduciary funds are as follows:

Pension Trust Funds - Pension Trust Funds are used to account for the activities of the City's police and general employee retirement systems.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Position or Equity

1. Cash, Cash Equivalents and Investments

The City's cash and cash equivalents include all cash on hand, demand and time deposits. For the purpose of the Statement of Cash Flows for the proprietary funds, the City includes all cash on hand, demand deposits, and time deposits with an original maturity of three months or less.

Investments, including those of the pension trust funds, are stated at fair value, which is either a quoted market price or the best available estimate.

2. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants, and sales, utility, and franchise taxes. Receivables for business-type activities represent grants and unpaid bills for utility services. Allowances for uncollectible accounts receivable are based upon historical trends. Receivables are reported net of allowances for uncollectible accounts receivable where applicable. At year end this allowance amounted to \$807 in the business-type activities.

Notes receivable represent amounts due on the purchase of cemetery lots.

3. Due From/Due To or Advances From/Advances To

Transactions between funds that result in amounts owed are referred to as either "due from/to other funds" for current interfund loans or "advances from/to other funds" for noncurrent interfund loans. Amounts receivable from, or payable to, other funds are reflected in the accounts of the fund until liquidated. Any remaining balances are reported in the government-wide statements as "internal balances". Advances to and advances from between government funds in the amount of \$6,446 were eliminated in the presentation of the government-wide statements.

4. Inventories, Prepaid Items and Other Assets

Inventories of expendable supplies are recorded at year-end, if material. These inventories are reported at cost on a first-in, first-out basis. They are recorded as expenditures at the time individual inventory items are used.

Prepaid items are for payments made by the City in the current year that are applicable to future periods.

5. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (\$5,000 for infrastructure assets), 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Position or Equity (Cont'd)

5. Capital Assets (Cont'd)

In the government-wide statements, capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

With the implementation of GASB Statement No. 34 the City began capitalizing infrastructure assets prospectively. However, at this time the City has elected not to retroactively capitalize infrastructure assets.

Depreciation is recorded as an expense of each applicable governmental function in the Statement of Activities, with accumulated depreciation netted with capital assets in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

<u>Assets</u>	<u>Years</u>
Land improvements	15 - 25
Buildings	25 - 40
Utility system	20 - 50
Machinery, equipment and furniture	5 - 15
Vehicles	7 - 15
Infrastructure	25 - 50

6. Unearned Revenue

~~Unearned revenue arises only when the City receives resources before it has a legal claim to them or has not yet been earned.~~

7. Compensated Absences

The City allows employees to accumulate vacation and sick time up to certain limits and to be compensated for this time upon termination of employment. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

8. Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources is recorded as a liability in the government-wide statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest is reported as expenditures. The accounting for proprietary fund debt is the same in the fund statements as it is in the government-wide statements.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Position or Equity (Cont'd)

9. Equity Classifications

Government-Wide Statements and Proprietary Fund - Equity is classified as net position and displayed in three components:

Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to these capital assets.

Restricted Net Position - Consists of net position with constraints placed on the use either by external groups, such as grantors or other governments, or by law through constitutional provisions or enabling legislation. In the Statement of Net Position the City reports \$1,157,372 of restricted net assets, of which \$172,098 (impact fees) is restricted by enabling legislation.

Unrestricted Net Position - Consists of all other net assets that do not meet the definition of the other two classifications above.

Governmental Fund Balances - Governmental fund equity is classified as fund balance. GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are not in a spendable form (such as inventory) or because they are required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes stipulated by external resource providers (such as grantors, bondholders, contributors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed Fund Balance - Amounts constrained to specific purposes by a formal action by City Council ordinance or resolution, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

Assigned Fund Balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance - Amounts that are available for any purpose; all amounts not included in other spendable classifications.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Position or Equity (Cont'd)

10. Use of Restricted Resources

In cases in which both unrestricted and restricted resources are available to finance an expense or program, the City's policy is to utilize restricted resources first whenever possible. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance; second, to other, less-restrictive classifications such as committed; and finally, assigned fund balances before using unassigned fund balances.

11. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The City has one item that qualifies for reporting as deferred outflows of resources. This item is the deferred outflows related to pensions. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

Details on the composition of deferred outflows relate to pensions are reported in a subsequent note.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report ~~a separate section for deferred inflows of resources. This separate financial statement element,~~ deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two items that qualify for reporting as deferred inflows of resources. The first item of deferred inflows of resources is in the governmental funds balance sheet and is reported for unavailable revenues that were not received within 30 days of year end. The second item is deferred inflows related to pensions. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Details on the composition of deferred inflows related to pensions are reported in a subsequent note.

12. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from these estimates.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Revenues, Expenditures, and Expenses

1. Revenues

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all susceptible to accrual. Property taxes are levied annually based on the value of real property and tangible personal property as assessed on January 1. These taxes are payable from November until the following March and are recognized in the same fiscal period in which the taxes are due.

The key dates in the property tax cycle are as follows:

	<u>Due By</u>
Taxes are levied	January 1
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

2. Operating Revenues and Expenses

The City's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

3. Interfund Transactions

Permanent reallocation of resources between the funds of the City is classified as interfund transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement presentation.

F. Accounting Changes and Restatement of Fund Balance

The City participates in two defined benefit pension plans. As an employer, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers that sponsor defined benefit pension plans to start reporting in government-wide and proprietary funds the employers' share of the net pension liabilities and related pension amounts of the defined benefit pension plans. Due to the adoption of this Statement a restatement of beginning net position of the City's government-wide statement of net position governmental activities was decreased by \$225,304 and business activities was increased by \$100,114. At October 1, 2014 the City's net pension liabilities increased \$646,858 for governmental activities and net pension asset increased \$293,775 and \$100,114 for governmental activities and business-type activities, respectively. In addition, the City, for its governmental activities, reported beginning deferred outflows of resources for contributions subsequent to the measurement date of \$127,779 as of October 1, 2014.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Accounting Changes and Restatement of Fund Balance (Cont'd)

	Government Wide	
	Govt. Activities	Bus. Activities
Net Position as previously reported	7,891,512	11,356,125
Net pension as of September 30, 2015 as reported under GASB 68		
General Employees' Pension	293,775	100,114
Police Officers Pension	(519,079)	-
Net Position, as restated	7,666,308	11,456,239

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Encumbrances

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.

Encumbrances outstanding at year end are reported as reservations of fund balances in the governmental funds. They do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Appropriations and encumbrances lapse at the year end.

B. Budgetary Policy

The City charter establishes the fiscal year as the twelve-month period beginning October 1st. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a proposed budget of estimated expenditures and revenues to the City Council.

Upon receipt of the budget estimates, the City Council holds public hearings on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

On or before September 30th, the budget is legally enacted for the General and Enterprise Funds through the passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments; however, any revisions that alter the total expenditure of any fund must be approved by the City Council. Expenditures for the General Fund may not exceed legal appropriations at the department level.

Budgeted amounts are as originally adopted and as amended by the City Council. For the year ended September 30, 2015 the City Council amended the original budget on November 16, 2015.

Budgetary information is presented as Required Supplemental Information. The budgetary comparison schedule for the General Fund, the only major governmental fund, is shown on page F-1.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

C. Compliance with Finance Related Legal and Contractual Provisions

The City has complied with the provisions of the Series 2012 Series Revenue Bonds, the United States Department of Agriculture, Rural Utilities Service (RUS) program and the State of Florida Revolving Loan covenants that require assets to be accumulated in a restricted account for the payment of future debt service.

The City has complied with the required payment of debt service principal and interest when due.

The City is required by the loan covenants of the revenue bonds and the U.S. Department of Agriculture loans to provide net water and wastewater revenues sufficient to pay 120% of the debt service coverage for these loans for the current year. The loans from the Florida Department of Environmental Protection (FDEP) require net water and wastewater revenues sufficient to pay 115% of the debt service coverage on these loans for the year. The City complied with these debt coverage percentages. See the detailed calculation on page E-18.

D. Deficit Fund Equity

At year end, one of the other non-major governmental funds, the City Hall Restoration Expendable Trust Fund, had a deficit fund balance of \$6,177. This deficit is expected be eliminated by contributions raised by charity events in the next few years.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Custodial Credit Risk-Deposits

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

At September 30, 2015 the carrying amount of the City's cash deposits was \$3,897,474 and the bank balance was \$3,915,260. A net difference of \$17,786 between these two balances is created by timing differences on disbursements which have not yet cleared the bank at the end of the year. In addition, the City had \$400 cash on hand at September 30, 2015.

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

Restricted Cash

Certain cash and cash equivalents are legally restricted in the Statement of Net Position at September 30, 2015 as follows:

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Cash and Investments – Restricted Cash (Cont'd)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital improvements - Transportation	\$ 793,593	\$ -
Impact fees	84,908	750
Building permits	1,335	-
Fire reserve	56,711	-
Customer deposits	-	53,000
Debt service	-	150,317
Stormwater impact fees	-	86,440
Total restricted cash	<u>\$ 936,547</u>	<u>\$ 290,506</u>

Custodial credit risk-Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City's investments are secured through a third-party custodial arrangement in the City's name except for the external investment pool in the Florida Municipal Pension Trust Fund (FMPTF).

Investments

As of September 30, 2015 the City had the following investments at fair value:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Portfolio</u>
Investment Type:				
Money market funds	\$ 88,118	\$ 353,917	\$ 442,035	8.40%
Certificate of deposit	30,031	-	30,031	.57%
U.S. Treasuries	256,987	516,732	773,719	14.70%
U. S. Gov't agencies	-	194,642	194,642	3.70%
FMPTF (a)	-	1,389,126	1,389,126	26.39%
Corporate bonds	-	414,758	414,758	7.87%
Corporate stocks	-	2,020,430	2,020,430	38.37%
Total investments	<u>\$ 375,136</u>	<u>\$ 4,889,605</u>	<u>\$ 5,264,741</u>	<u>100.00%</u>

(a) The Florida Municipal Pension Trust Fund (FMPTF) is an external investment pool administered by the Florida League of Cities, Inc. The City has a beneficial interest in the portfolio, not in the individual securities held within each portfolio. This fund's investments are targeted for a 60/40 allocation between stocks and bonds. Separately issued financial statements may be obtained by contacting the Administrator for the Florida Municipal Pension Trust Fund, 301 Bronough Street, Suite 300, Tallahassee, Florida 32301.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Cash and Investments - Investments (Cont'd)

The City does not have a formal investment policy for dealing with investment risks and therefore follows the guidance in the Florida Statutes. The pensions trust plans have individual investment policies which set forth the allowable mix and type of investments.

Florida Statutes authorize investment of surplus funds in Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, in interest-bearing time deposits or savings accounts in *qualified public depositories* (a shared risk collateral pool overseen by the State of Florida), in the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, and in direct obligations of the U.S. Treasury. The City's investments, except those investments within the pension plan trust funds, are invested in money market funds and U.S. Treasuries. The pension plan trust funds are allowed to invest in corporate or other bonds and in common stock with certain limitations.

Summary of Cash and Investments

Reconciliation of cash and investments to amounts shown on the Statement of Net Position and the Statement of Fiduciary Net Position:

Statement of Net Position:

Cash	\$ 2,670,820
Investments	375,136
Restricted cash	1,227,053

Statement of Fiduciary Net Position:

Investments	<u>4,892,820</u>
Total	<u>\$ 9,165,829</u>

Total Reconciled:

Cash	\$ 3,897,873
Investments	<u>5,267,956</u>
Total	<u>\$ 9,165,829</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could adversely affect an investment's fair value. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Cash and Investments – Interest Rate Risk (Cont'd)

As of September 30, 2015 the City had the following investments with interest rate risk:

Investment Type:	Fair Value	Weighted Average Maturity (Years) (a)
U.S. Treasuries notes and bonds	\$ 773,719	1.49
Government Agencies bonds	194,642	0.14
Corporate bonds	414,758	0.60
FMPTF-FMIVT Broad Market High Quality Bond Fund (b)	233,373	0.72
FMPTF-FMIVT Core Plus Fixed Income Fund (b)	319,499	0.89
Total investments with interest rate risk	\$ 1,935,991	3.84

(a) Weighted average years to maturity are used to estimate the interest rate risk.

(b) Portion of FMPTF Florida Municipal Investment Trust (FMIVT) external pool invested in a bond funds.

Credit Risk

The following displays the credit quality ratings of the City's applicable investments:

Investment Type:	<u>Credit Ratings (a)</u>
Money market funds	Not Rated
U.S. Treasuries	AAA/Aaa
U.S. Governmental Agencies:	
Federal Home Loan Mortgage Corporation (FHLMC)	AAA/AA+
Federal National Mortgage Association (FNMA)	AAA/AA+
Corporate bonds	AA+/A
FMPTF-FMIVT Broad Market High Quality Bond Fund	AA/V4
FMPTF-FMIVT Core Plus Fixed Income Fund	Not Rated

(a) The credit rating service listed above is Standard and Poor's or Moody's, except for the FMPTF broad market high quality bond portfolio which is rated by Fitch.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings above are provided to indicate associated credit risk. The investment policies of the pension trust funds have certain criteria regarding credit ratings allowed for their investments.

Concentration of credit risk - Concentration of credit risk is defined as when five percent or more of the total investments are invested with one issuer. Investments issued or explicitly guaranteed by the United States government and investments in mutual funds or pools are excluded. There were no concentrations to disclose for the year ended September 30, 2015.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

B. Capital Assets

1. Capital Activity

Capital asset activity for the year ended September 30, 2015 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 167,836	\$ -	\$ -	\$ -	\$ 167,836
Total capital assets, not being depreciated	<u>167,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,836</u>
Capital assets, being depreciated:					
Buildings	4,306,451	4,510	-	-	4,310,961
Capitalized building lease	97,154	-	-	-	97,154
Improvements, other than buildings	1,572,653	-	-	-	1,572,653
Equipment	2,468,719	37,376	(218,274)	-	2,287,821
Infrastructure	614,585	-	-	-	614,585
Total capital assets, being depreciated	<u>9,059,562</u>	<u>41,886</u>	<u>(218,274)</u>	<u>-</u>	<u>8,883,174</u>
Less accumulated depreciation for:					
Buildings	(1,797,287)	(110,901)	-	-	(1,908,188)
Capitalized building lease	(24,289)	(2,428)	-	-	(26,717)
Improvements, other than buildings	(761,858)	(44,066)	-	-	(805,924)
Equipment	(1,835,676)	(111,072)	209,951	-	(1,736,797)
Infrastructure	(99,782)	(23,574)	-	-	(123,356)
Total accumulated depreciated	<u>(4,518,892)</u>	<u>(292,041)</u>	<u>209,951</u>	<u>-</u>	<u>(4,600,982)</u>
Total capital assets being depreciated, net	<u>4,540,670</u>	<u>(250,155)</u>	<u>(8,323)</u>	<u>-</u>	<u>4,282,192</u>
Governmental activities capital assets, net	<u>\$ 4,708,506</u>	<u>\$ (250,155)</u>	<u>\$ (8,323)</u>	<u>\$ -</u>	<u>\$ 4,450,028</u>
<hr/>					
Business-type activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 69,371	\$ 10,947	\$ -	\$ -	\$ 80,318
Construction in progress	1,137,685	70,921	-	(1,114,513)	94,093
Intangible assets	105,300	-	-	-	105,300
Idle assets	216,937	-	(400)	-	216,537
Total capital assets, not being depreciated	<u>1,529,293</u>	<u>81,868</u>	<u>(400)</u>	<u>(1,114,513)</u>	<u>496,248</u>
Capital assets, being depreciated:					
Water and wastewater system	16,744,799	421,337	(36,549)	1,114,513	18,244,100
Stormwater system	843,773	1,031	-	-	844,804
Machinery and equipment	587,490	16,149	(6,464)	-	597,175
Total capital assets, being depreciated	<u>18,176,062</u>	<u>438,517</u>	<u>(43,013)</u>	<u>1,114,513</u>	<u>19,686,079</u>
Less accumulated depreciation for:					
Water and wastewater system	(4,886,905)	(695,929)	5,716	-	(5,577,118)
Stormwater system	(216,554)	(23,746)	-	-	(240,300)
Machinery and equipment	(327,699)	(47,714)	1,616	-	(373,797)
Total accumulated depreciated	<u>(5,431,158)</u>	<u>(767,389)</u>	<u>7,332</u>	<u>-</u>	<u>(6,191,215)</u>
Total capital assets being depreciated, net	<u>12,744,904</u>	<u>(328,872)</u>	<u>(35,681)</u>	<u>1,114,513</u>	<u>13,494,864</u>
Business-type activities capital assets, net	<u>\$ 14,274,197</u>	<u>\$ (247,004)</u>	<u>\$ (36,081)</u>	<u>\$ -</u>	<u>\$ 13,991,112</u>

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

B. Capital Assets (Cont'd)

2. Depreciation Expense

Depreciation expense, including amortization of capital leases, was charged to functions as follows:

Governmental activities:	
General government	\$ 61,844
Public safety	74,457
Transportation	44,480
Culture	63,346
Community affairs	<u>47,914</u>
Total depreciation expense	<u>\$ 292,041</u>
Business-type activities:	
Water and sewer system	\$ 743,643
Stormwater system	<u>23,746</u>
Total depreciation expense	<u>\$ 767,389</u>

C. Interfund Receivables and Payables

Individual interfund receivable and payable balances as of September 30, 2015, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Non-major Governmental Fund- City Hall Restoration	\$ 6,446

The advance listed above represents funds from the General Fund to finance the City Hall Restoration Expendable Trust Fund's expenditures needed to complete a restoration project in a prior year which were in excess of grant funds received. This interfund balance is expected to be repaid within the next few years.

D. Leases

Operating Leases

The City leased office equipment under two leases. The following is the future minimum lease payment for the remaining leases:

Year End	Amount
2016	\$ <u>2,404</u>
Total	<u>\$ 2,404</u>

Lease expense for the year totaled \$2,404.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

E. Long-Term Liabilities

1. Long-Term Liability Activity

Long-term liability activity for the year ended September 30, 2015 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities:					
Other liabilities:					
Compensated absences	\$ 52,218	\$ 57,053	\$ (49,387)	\$ 59,884	\$ 59,884
Total Governmental	<u>52,218</u>	<u>57,053</u>	<u>(49,387)</u>	<u>59,884</u>	<u>59,884</u>
Business-type Activities:					
Long-term debt:					
Revenue bonds payable	1,448,221	-	(71,376)	1,376,845	73,577
Loans payable	<u>3,001,773</u>	-	<u>(336,622)</u>	<u>2,665,151</u>	<u>118,016</u>
Total long-term debt	<u>4,449,994</u>	-	<u>(407,998)</u>	<u>4,041,996</u>	<u>191,593</u>
Other liabilities:					
Compensated absences	<u>22,009</u>	<u>20,514</u>	<u>(19,217)</u>	<u>23,306</u>	<u>23,306</u>
Total Business-type	<u>4,472,003</u>	<u>20,514</u>	<u>(427,215)</u>	<u>4,065,302</u>	<u>214,899</u>
Total	<u>\$ 4,524,221</u>	<u>\$ 77,567</u>	<u>\$ (476,602)</u>	<u>\$ 4,125,186</u>	<u>\$ 274,783</u>

2. Revenue Bonds

Revenue bonds issued and outstanding are comprised of the following individual obligations:

Lender	Interest Rate	Issue Amount	Ending Balance
Water and Sewer System Refunding Revenue Bond, 2012 Series	3.06 %	\$ 1,583,306	<u>\$ 1,376,845</u>
Total revenue bonds payable			<u>\$ 1,376,845</u>

2012 Series Refunding Revenue Bond - On August 21, 2012, the City issued a Water and Sewer System Refunding Revenue Bond, Series 2012, totaling \$1,583,306 (par value) with an interest rate of 3.06%.

These bonds are secured by the net revenues of the water and wastewater systems and any legally available non-ad valorem revenues of the City. This bond issue requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The City is also required to provide net water and wastewater revenues sufficient to maintain minimum debt service coverage of 120%.

Payments are due in annual installments, including principal and interest, in the amount of \$115,150 with the final payment due in September 2030.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

E. Long-Term Liabilities (Cont'd)

3. Loans Payable

Loans payable are comprised of the following individual obligations:

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Ending Balance</u>
Florida Dept. of Environmental Protection	2.09%	2,000,000	\$ 1,241,151
US Dept. of Agriculture, Rural Utilities Services	4.75%	1,275,000	1,119,000
US Dept. of Agriculture, Rural Utilities Services	4.63%	<u>350,000</u>	<u>305,000</u>
Total loans payable		<u>\$ 3,625,000</u>	<u>\$ 2,665,151</u>

State of Florida Department of Environmental Protection Loan - This loan provided funds for the collection, transmission and treatment of the wastewater system in the northwest and southeast quadrants of the City and for the planning and design of new collector sewers.

Payments are due in semiannual installments, including principal and interest installments of \$58,739 with the last one due June 2027.

United States Department of Agriculture, Rural Utilities Service (RUS) Loans - These two loans were the second in a group of loans authorized to provide funds for the construction of the wastewater plant (Phase I).

Payments are due in annual installments, including principal and interest. The first loan has installments varying from \$73,333 to the final payment of \$72,278 due in September 2043. The second loan has installments varying from \$20,078 to the final payment of \$19,879 due in September 2043.

State of Florida Department of Environmental Protection and RUS Loans - The net revenues of the water and wastewater system are also pledged for the repayment of the State of Florida and United States Department of Agriculture Rural Utilities Service (RUS) loans. These loans are subordinate to the revenue bonds. These loans require maintaining sinking accounts as described under revenue bonds. These loans also require maintaining reserve accounts at various specified amounts and maintaining minimum debt service coverage of 115% and 120%, respectively, of the City's net water and wastewater revenues.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

E. Long-Term Liabilities (Cont'd)

4. Summary of Debt Service Requirements to Maturity

Annual debt service requirements of all long-term bonds and notes payable for business-type activities as of September 30, 2015 are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 191,593	\$ 134,294	\$ 325,887
2017	196,794	128,865	325,659
2018	202,107	123,277	325,384
2019	207,533	117,529	325,062
2020	214,076	111,616	325,692
2021-2025	1,161,827	462,626	1,624,453
2026-2030	981,066	293,425	1,274,491
2031-2035	279,000	184,305	463,305
2036-2040	355,000	111,518	466,518
2041-2043	253,000	24,278	277,278
Total	<u>\$ 4,041,996</u>	<u>\$ 1,691,733</u>	<u>\$ 5,733,729</u>

Interest expense for the year totaled \$144,879, all of which was expensed and is included as a direct function expense of water and wastewater treatment in the Statement of Activities.

F. Pledged Revenues

Debt Service Coverage - The City is required by the loan covenants of the water and wastewater revenue bonds (which include the RUS loans) to provide debt service coverage for bond payments of 120% for the year. The Florida Department of Environmental Protection (FDEP) also requires coverage of 115% for its loan payments for the year. The City is in compliance with these debt service coverages as follows:

Gross revenues (a)	\$ 1,304,035
Less:	
Operating expenses (b)	<u>(647,766)</u>
Net available revenue - Revenue bonds	<u>\$ 656,269</u>
Debt service requirements - Revenue bonds	<u>\$ 208,589</u>
Coverage - Revenue bonds	<u>315%</u>
Net available revenue - Revenue bonds	\$ 656,269
Required net revenues for revenue bonds	<u>(250,307)</u>
Net available revenue - FDEP	<u>\$ 405,962</u>
Debt service requirements - FDEP	<u>\$ 138,387</u>
Coverage - FDEP	<u>293%</u>

(a) Includes operating revenues for water and wastewater treatment and investment revenue.

(b) Excludes sanitation expenses (\$324,873), stormwater expenses (\$35,680), and depreciation (\$767,389).

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

F. Pledged Revenues (Cont'd)

Future Revenues - The City has pledged future revenues, net of certain operating expenses, for payment of debt. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in the preceding sections of this note:

<u>Pledged Revenue</u>	<u>Revenue Pledged Through</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Net Revenue</u>	<u>Percentage of Net Revenues to Principal and Interest Paid</u>
Water and Wastewater	09/15/2043	\$5,733,729	\$346,974	\$656,269	191.23%

G. Pension Plans

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

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

1. General Employees' Pension Trust Fund

a. Plan Description

All employees working at least 20 hours each week, excluding police officers, are required to participate in the City's general employees' pension plan after one year of service.

As of September 30, 2015, the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	7
Inactive employees entitled to but not receiving benefits	10
Active plan members	15

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

1. General Employees' Pension Trust Fund (Cont'd)

b. Benefits Provided

The plan provides retirement, disability, and pre-retirement death benefits to all current members. Normal retirement age is 65 with at least 10 years of credited service. Upon normal retirement, members are entitled to a benefit at 1.5% of their average final compensation for each year of credited service (up to 30 years). Early retirement age is 55 with at least 10 years of credited service. Upon early retirement the benefit is reduced actuarially for each year by which the participant's early retirement age precedes the normal retirement age. The plan also provides disability benefits for participants who are disabled on a continuous and permanent basis.

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

c. Contribution

The City Council establishes and may amend by ordinance the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. Plan members contribute 1% of pensionable earnings. The City's actuarially required contribution for the year ended September 30, 2015 was \$8,576. Actual contributions for the year equaled \$32,578, or 379.9% of the required contribution.

d. Net Pension Liability

The City's net pension liability was measured as of September 30, 2015.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2014 that was updated to September 30, 2015 using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2015
Valuation date	October 1, 2014
Discount rate	9.08% per year (3.60% per year is attributable to long term inflation); this rate was used to discount all future benefit payments.
Salary increases	5.50% per year, plus average earnings are loaded by 2.50% to account for accumulated leave payments upon termination of employment.
Cost of living increases	None is assumed.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

1. General Employees' Pension Trust Fund (Cont'd)

d. Net Pension Liability (Cont'd)

The mortality table used was the sex distinct rates set forth in the RP-2000 Mortality Table for Non-Annuitants and Annuitants, projected to 2007 by scale AA, as published by the Internal Revenue Service for IRS Section 430; future generational improvements in mortality have not been reflected.

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core bonds	16.0%	2.48%
Multi-sector	24.0%	8.20%
U.S. large cap equity	39.0%	7.14%
U.S. small cap equity	11.0%	8.45%
Non-U.S. equity	<u>10.0%</u>	<u>8.43%</u>
Total or weighted arithmetic average		
	<u>100.0%</u>	<u>5.48%</u>

Discount rate – The discount rate used to measure the total pension liability was 9.08%. This discount rate was based on the expected rate of return on pension plan investments of 5.48% and a 3.60% per year attributable to long term inflation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The plan's net pension liability measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined as of that date.

Total pension liability	\$ 831,038
Plan fiduciary net position	<u>(1,356,003)</u>
Net pension liability	<u>\$ (558,088)</u>
Plan fiduciary net position as a percentage of the total pension liability	163.17%

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

1. General Employees' Pension Trust Fund (Cont'd)

d. Net Pension Liability (Cont'd)

Changes in City's net pension (asset) liability – Changes in the City's net pension (asset) liability for the year ending September 30, 2015 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balances at September 30, 2014	<u>\$ 890,182</u>	<u>\$ 1,414,070</u>	<u>\$ (523,888)</u>
Changes for the year:			
Service cost	31,717	-	31,717
Interest	81,166	-	81,166
Difference between actual and expected experience	(114,776)	-	(114,776)
Contributions – City	-	32,578	(32,578)
Contributions – Employee	-	5,394	(5,394)
Net investment income (loss)	-	(2,720)	2,720
Benefit payments, including refunds of employee contributions	(57,251)	(52,896)	(4,355)
Administrative expense	-	(7,300)	7,300
Net changes	<u>(59,144)</u>	<u>(24,944)</u>	<u>(34,200)</u>
Balances at September 30, 2015	<u>\$ 831,038</u>	<u>\$ 1,389,126</u>	<u>\$ (558,088)</u>

Sensitivity of the net pension (asset) liability to changes in the discount rate – The following presents the plan's net pension (asset) liability, calculated using the current discount rate of 9.08%, as well as what the plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (8.08%) or 1-percentage-point higher (10.08%) than the current discount rate:

Year Ending September 30,	1% Decrease (8.08%)	Current Discount Rate (9.08%)	1% Increase (10.08%)
2014	\$ (410,226)	\$(523,888)	\$(618,179)
2015	(462,603)	(558,088)	(639,100)

Pension expense, deferred outflows and inflows of resources related to plan – For the year ended September 30, 2015, the City recognized pension expense of \$1,626. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

1. General Employees' Pension Trust Fund (Cont'd)

d. Net Pension Liability (Cont'd)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 104,389
Net difference between projected and actual earnings on plan investments	101,141	-
Total	<u>\$ 101,141</u>	<u>\$ 104,389</u>

The deferred outflows and inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year ending September 30,	Outflows	Inflows
2016	\$ 25,285	\$ (10,387)
2017	25,285	(10,387)
2018	25,285	(10,387)
2019	25,285	(10,387)
2020		(10,387)
Thereafter		(52,454)

Payables to pension plan – At September 30, 2015, the City reported no payables for outstanding contributions.

2. Police Officers' Pension Trust Fund

a. Plan Description

All police officers as of January 1, 2007 who elected to remain members of the system are members of the system. There will be no new members. All members are employed as deputy sheriffs by the Polk County Sheriff's Department as a result of the merger of the City Police Department and the Polk County Sheriff's Department.

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: two City residents appointed by the City Council, two police officers elected by a majority of police officers, and a fifth member that is elected by the Board and appointed (as a ministerial duty) by the City Council.

As of September 30, 2015, the members of the plan were as follows:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	2

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

2. Police Officers' Pension Trust Fund (Cont'd)

b. Benefits Provided

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

Employees that are vested (upon termination of employment) with less than 5 years of contributions will receive a refund of accumulated contributions. Employees with 5 years or more will obtain a percentage of accrued pension that is payable at normal retirement or on a reduced basis at early retirement, according to the following schedule:

<u>Years of Service</u>	<u>Percent</u>
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

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

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

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

2. Police Officers' Pension Trust Fund (Cont'd)

c. Contributions

The Police Officers' Pension Trust Fund receives proceeds from an excise tax on property insurance premiums to fund its annual required contribution. While the City no longer has its own police department, some of the City Police Officers who transferred to the Polk County Sheriff's Office elected to remain with the City retirement plan. If the excise tax proceeds on property insurance premiums are not adequate to maintain the actuarial soundness of the City plan, the Polk County Sheriff's Office will contribute to the plan but is not required to contribute more than the Florida Retirement System percentage. The City will contribute any remaining shortfall.

This excise tax is treated as an on behalf payment from the State of Florida with the proceeds recorded as operating grants, contributions, and public safety expenses in the amount of \$24,244 in the Government-wide Statement of Activities. Plan members are required to contribute 1% of their salary. The City's actuarially required contribution for the year ended September 30, 2015 was \$204,539. Actual contributions for the year from the City and Sheriff's Office equaled \$204,539, or 100% of the required contributions.

d. Net Pension Liability

The City's net pension liability for the plan was measured as of September 30, 2014 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, 2014 and 2015 was determined by the following valuations that were updated using the following actuarial assumptions being applied to all measurement periods:

Liability measurement date	September 30, 2014	September 30, 2015
Valuation date	October 1, 2013	October 1, 2014
Inflation	3.0%	3.0%
Salary increases	4.0%	4.0%
Discount rate	7.5%	7.5%
Investment rate of return	7.5%	7.5%

The mortality table used was the RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to future years.

The assumed real rate of return over wage inflation is defined to be the portion of total investment return that is more than the assumed wage inflation rate. Considering other economic assumptions, the 7.5% investment rate translates to an assumed real rate of return over wage inflation of 4.5%.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

2. Police Officers' Pension Trust Fund (Cont'd)

d. Net Pension Liability (Cont'd)

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, 2015 are summarized in the following table:

Long Term Expected Rate of Return

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	50.0%	7.65%
International equity	12.5%	7.72%
Emerging markets	2.5%	9.50%
Fixed income	<u>35.0%</u>	<u>2.37%</u>
Total or weighted arithmetic average	<u>100.00%</u>	<u>27.24%</u>

Money-weighted rate of return – For the years ended September 30, 2014 and 2015 the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested for the plan were 6.74% and -3.19%, respectively.

Discount rate – A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. 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 employer determined contribution rates and the 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 (7.5%) 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, 2015, and the total pension liability used to calculate the net pension liability was determined as of that date.

Total pension liability	\$ 4,147,349
Plan fiduciary net position	<u>(3,519,045)</u>
Net pension liability	<u>\$ 628,304</u>
Plan fiduciary net position as a percentage of the total pension liability	84.85%

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

2. Police Officers' Pension Trust Fund (Cont'd)

d. Net Pension Liability (Cont'd)

Changes in City's net pension liability – Changes in the City's net pension liability for its reporting year ended September 30, 2015 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balances at September 30, 2013	<u>\$ 3,944,073</u>	<u>\$ 3,297,215</u>	<u>\$ 646,858</u>
Changes for the year:			
Service cost	28,891	-	28,891
Interest	292,750	-	292,750
Contributions – City and other	-	159,813	(159,813)
Contributions – State of Florida	-	24,244	(24,244)
Contributions – Employee	-	3,096	(3,096)
Net investment income	-	233,629	(233,629)
Benefit payments, including refunds of employee contributions	(121,165)	(121,165)	-
Administrative expense	-	(32,810)	32,810
Net changes	<u>200,476</u>	<u>266,807</u>	<u>(66,331)</u>
Balances at September 30, 2014	<u>\$ 4,144,549</u>	<u>\$ 3,564,022</u>	<u>\$ 580,527</u>

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, 2014 (the City's measurement date) and 2015, using the current discount rate of 7.5% 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 (6.5%) or 1-percentage-point higher (8.5%) than the current discount rate:

Year Ending September 30,	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2014	\$ 1,155,824	\$ 580,527	\$ 128,037
2015	1,167,796	628,304	185,627

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

G. Pension Plans (Cont'd)

2. Police Officers' Pension Trust Fund (Cont'd)

d. Net Pension Liability (Cont'd)

Pension expense, deferred outflows and inflows of resources related to plan – For the year ended September 30, 2015, the City recognized pension expense of \$49,143. At September 30, 2015, the City reported deferred outflows of resources related to the plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 12,305	\$ -
City contributions subsequent to the measurement date	<u>156,774</u>	<u>-</u>
Total	<u>\$ 169,079</u>	<u>-</u>

The deferred outflows of resources related to the pension plan, totaling \$156,774, 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, 2016. Other amounts of deferred outflows of resources related to the pension plan will be recognized in pension expense as follows:

Year ending September 30,	Amount
2016	\$ 3,076
2017	3,076
2018	3,076
2019	3,077

Payables to pension plan – At September 30, 2015, the City reported no payables for outstanding contributions.

H. Other Employee Benefits Plans

The City contributes 6% of the City Manager's salary to a deferred compensation plan established for the benefit of the City Manager. The City Manager is required to contribute a minimum of 1% of her salary. All contributions are 100% vested. The City's contributions to this plan for the year ended September 30, 2015 were \$5,378.

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

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

I. Other Post Employment Benefits (OPEB)

Plan Description - The City provides retiring employees the option to continue participating in the City's health, dental and vision insurance benefits and group term life insurance benefits at the same rate as active employees. The contribution requirements of the City and plan members are established and can be amended by the City Council. These contributions are neither guaranteed nor mandatory. Retirees who do not choose, within thirty days after termination of employment, to participate lose eligibility to participate in the future. Participating retirees must pay 100% of the costs of any insurance they elect to continue. The plan does not issue a publicly available financial report.

Funding Policy - In order to comply with the requirements of The Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the City had an actuarial valuation of postemployment benefits performed. Since the City is required to co-mingle retirees and active employees in determining the health plan cost there exists an implicit subsidy to retirees that creates an OPEB liability on the part of the City. This pronouncement is being implemented prospectively and the City does not intend to fund this actuarial accrued liability and will pay any current costs on a "pay as you go" basis.

Participants - The City has 22 active employees. Of these 1 is fully eligible for benefits and 21 are not yet fully eligible. There are no retired participants.

Annual OPEB Cost and Net OPEB Obligation - The following shows the components of the City's annual OPEB cost as calculated for the year ended September 30, 2010. The City does not anticipate having another actuarial valuation performed until the plan has participants. The following also shows the amount actually contributed to plan which is zero since the plan is not being funded, and the changes in the City's net OPEB obligation to the plan:

Annual Required Contribution (ARC)	\$ 2,000
Adjustment to ARC	-
Annual OPEB Cost	2,000
Contributions Made	-
Increase in Net OPEB Obligation	2,000
Net OPEB Obligation, Beginning of Year	-
Net OPEB, Ending of Year	\$ 2,000

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year the actuarial valuation was performed are as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/10	\$ 2,000	0.00%	\$ 2,000

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

I. Other Post Employment Benefits (OPEB) (Cont'd)

Actuarial Methods and Assumptions - Actuarial valuations are based on numerous assumptions concerning the cost of benefits to be provided in the future, the contributions expected to be made by retirees in the future, the incidence and level of benefit coverage in the future, and the future demographic experience of the current active employees of the City and current retirees and their covered dependents. The following were used in the year the evaluation was performed:

Valuation date	8/1/10
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level-dollar payment
Investment return	4.00% per annum (includes inflation at 2.75% per annum)
Healthcare cost trend rate(s):	<u>Insurance Rates</u>
Select rates	10.00% for 2010/11 graded to 6.00% for 2018/19
Ultimate rates	5.00% per annum

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

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revisions as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be.

Other Information - The Schedule of Funding Process following the notes presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actual accrued liability for benefits. Since this process was implemented in 2010 and the City does not anticipate having another valuation performed, only 2010 is presented in this year's report.

J. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, employee health claims; and natural disasters for which the City carries commercial insurance. All coverage remains constant from the prior year.

City of Frostproof, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont'd)

K. Schedule of Deferred Outflows and Inflows

Deferred Outflows of Resources

<u>Pension Plan Description</u>	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
General Employees' Pension			
Amortization payments	\$ (18,450)	\$ (6,835)	\$ (25,285)
Investment gain/loss/contributions	92,000	34,427	126,427
Police Pension			
Investment gain/loss/contributions	172,155	-	172,155
Amortization payments	(3,076)	-	(3,076)
Total Deferred Outflows	<u>\$ 242,629</u>	<u>\$ 27,592</u>	<u>\$ 270,221</u>

Deferred Inflows of Resources

<u>Pension Plan Description</u>	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
General Employees' Pension			
Amortization payments	\$ (7,878)	\$ (2,509)	\$ (10,387)
Demographic gain/loss	83,790	30,986	114,776
Police Pension	-	-	-
Total Deferred Inflows	<u>\$ 75,912</u>	<u>\$ 28,477</u>	<u>\$ 104,389</u>

L. Commitments and Contingencies

1. Construction Commitments

The City routinely enters into various construction commitments. At September 30, 2015 the most significant commitments follow:

<u>Project</u>	<u>Total Project</u>	<u>Expended</u>	<u>Commitment Outstanding</u>
Water Main Loop Project	\$ 198,500	\$ 66,228	\$ 132,272
Small Communities Wastewater Facility	59,700	31,154	28,546

2. Contract with Polk County Sheriff's Office

The City has contracted with the Polk County Sheriff's Office to provide police services within the City. The initial contract for the period from January 1, 2007 to September 30, 2011 was amended in May 2014 extending services through September 30, 2017. The following are the annual amounts, which are paid in quarterly installments, due on this contract:

<u>Year End</u>	<u>Amount</u>
2016	\$815,907
2017	\$844,464



City of Frostproof
The Friendly City

REQUIRED SUPPLEMENTARY INFORMATION

City of Frostproof, Florida
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 874,480	\$ 874,480	\$ 880,487	\$ 6,007
Franchise and utility taxes	601,000	601,000	601,345	345
Licenses and permits	55,000	55,000	52,867	(2,133)
Intergovernmental	570,520	592,890	626,534	33,644
Charges for services	133,390	133,390	139,987	6,597
Fines and forfeitures	2,000	2,000	980	(1,020)
Investment income	10,000	10,000	11,900	1,900
Other	12,900	12,900	29,431	16,531
Total revenues	<u>2,259,290</u>	<u>2,281,660</u>	<u>2,343,531</u>	<u>61,871</u>
EXPENDITURES				
General government	442,470	441,410	432,951	8,459
Public safety	1,233,770	1,245,260	1,197,379	47,881
Transportation	395,590	385,040	389,232	(4,192)
Culture	196,560	191,780	190,870	910
Community affairs	63,070	78,950	77,800	1,150
Capital outlay	27,000	43,088	38,744	4,344
Total expenditures	<u>2,358,460</u>	<u>2,385,528</u>	<u>2,326,976</u>	<u>58,552</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(99,170)</u>	<u>(103,868)</u>	<u>16,555</u>	<u>120,423</u>
NET CHANGE IN FUND BALANCES	<u>\$ (99,170)</u>	<u>\$ (103,868)</u>	<u>\$ 16,555</u>	<u>\$ 120,423</u>

See accompanying notes to other required supplementary information.

City of Frostproof, Florida
REQUIRED SUPPLEMENTARY INFORMATION –
GENERAL EMPLOYEES' PENSION TRUST FUND
SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY
AND RELATED RATIOS

For the Year Ended September 30, 2015

	2015
Total pension liability	
Service cost	\$ 31,717
Interest	81,166
Difference between expected and actual experience in regards to demographic assumptions	(114,776)
Benefit payments, including refunds of employee contributions	<u>(57,251)</u>
Net change in total pension liability	(59,144)
Total pension liability, beginning	<u>890,182</u>
Total pension liability, ending (a)	<u>\$ 831,038</u>
Plan fiduciary net position	
Contributions – City	\$ 32,578
Contributions – Employee	5,394
Net investment income (loss)	(2,720)
Benefit payments, including refunds of employee contributions	(52,896)
Administrative expenses	<u>(7,300)</u>
Net change in plan fiduciary net position	(24,944)
Plan fiduciary net position, beginning	<u>1,414,070</u>
Plan fiduciary net position, ending (b)	<u>\$ 1,389,126</u>
Net pension liability (asset) (a) – (b)	<u>\$ (558,088)</u>
Plan fiduciary net position as a percentage of the total pension liability	167.16%
Covered employee payroll	\$ 509,811
Net pension liability as a percentage of covered employee payroll	Not Applicable

Notes to Schedule

There have been no changes in benefits
There have been no changes in assumptions

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

City of Frostproof, Florida
REQUIRED SUPPLEMENTARY INFORMATION –
GENERAL EMPLOYEES' PENSION TRUST FUND
SCHEDULE OF CONTRIBUTIONS
For the Years Ended September 30, 2015

Schedule of Employer Contributions

Fiscal Year End	(1) Actuarially Determined Contribution	(2) Contributions Recognized By the Plan	(3) Difference Between (1) and (2)	Covered Payroll	Column (2) as a % of Covered Payroll
September 30, 2015	\$8,576	\$32,578	\$24,002	\$509,811	6.39%
September 30, 2014	\$31,112	\$161,111	\$129,999	Not available	Not available
September 30, 2013	\$35,033	\$35,033	\$0	\$550,447	6.36%
September 30, 2012	\$34,473	\$34,473	\$0	Not available	Not available
September 30, 2011	\$34,882	\$34,882	\$0	\$447,774	7.79%
September 30, 2010	\$31,081	\$31,081	\$0	Not available	Not available
September 30, 2009	\$29,721	\$29,721	\$0	\$353,115	8.42%
September 30, 2008	\$20,185	\$20,185	\$0	Not available	Not available
September 30, 2007	\$19,393	\$19,393	\$0	Not available	Not available
September 30, 2006	\$18,643	\$18,643	\$0	Not available	Not available

City of Frostproof, Florida
REQUIRED SUPPLEMENTARY INFORMATION –
POLICE OFFICERS' PENSION TRUST
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Years Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 20,535	\$ 28,891
Interest	307,105	292,750
Difference between expected and actual experience	(202,226)	-
Benefit payments, including refunds of employee contributions	<u>(122,614)</u>	<u>(121,165)</u>
Net change in total pension liability	2,800	200,476
Total pension liability, beginning	<u>4,144,549</u>	<u>3,944,073</u>
Total pension liability, ending (a)	<u>\$ 4,147,349</u>	<u>\$ 4,144,549</u>
Plan fiduciary net position		
Contributions – City and other	\$ 182,172	\$ 159,813
Contributions – State of Florida	22,367	24,244
Contributions – Employee	1,281	3,096
Net investment income (loss)	(108,445)	233,629
Benefit payments, including refunds of employee contributions	(122,614)	(121,165)
Administrative expenses	<u>(19,737)</u>	<u>(32,810)</u>
Net change in plan fiduciary net position	(44,976)	266,807
Plan fiduciary net position, beginning	<u>3,564,022</u>	<u>3,297,215</u>
Plan fiduciary net position, ending (b)	<u>\$ 3,519,046</u>	<u>\$ 3,564,022</u>
Net pension liability (a) – (b)	<u>\$ 628,303</u>	<u>\$ 580,527</u>
Plan fiduciary net position as a percentage of the total pension liability	84.78%	85.99%
Covered employee payroll	\$ 128,143	\$ 173,421
Net pension liability as a percentage of covered employee payroll	492.48%	334.75%

Notes to Schedule

There have been no changes in benefits
There have been no changes in assumptions

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

City of Frostproof, Florida
REQUIRED SUPPLEMENTARY INFORMATION –
POLICE OFFICERS' PENSION TRUST FUND
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
For the Years Ended September 30, 2015

Schedule of Employer Contributions

	2015	2014
Actuarially determined contribution	\$ 204,539	\$ 190,052
Contributions in relation to the actuarially determined contribution	<u>204,539</u>	<u>190,052</u>
Contributions excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 128,143	\$ 173,421
Contributions as a percentage of covered-employee payroll	159.62%	109.59%

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

Schedule of Investment Returns

	2015	2014
Annual money-weighted rate of return, Net of investment expenses	-3.19%	6.74%

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

City of Frostproof, Florida
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended September 30, 2015

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
8/1/10	\$ -	\$ 6,000	\$ 6,000	0.00%	\$ 474,000	1.27%

August 1, 2010 is the first fiscal year that an actuarial valuation was performed on the City's Other Postemployment Benefits Plan. The City is on a "pay as you go" basis and currently has no retired participants. Therefore, at the present time there is no plan for further actuarial valuations

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS

Year Ended September 30,	Annual Required Contribution	City Contribution	Percentage Contributed
2010	\$ 2,000	\$ -	0.00%

See accompanying notes to other required supplementary information.

City of Frostproof, Florida
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2015

BUDGETARY COMPARISON SCHEDULE

The Budgetary Comparison Schedule in the accompanying Required Supplemental Information section presents a comparison of the legally adopted budget, as amended, with the actual results in the General Fund. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

Governmental fund budgets are prepared using the modified accrual basis of accounting which is the same basis of accounting used by the General Fund for financial statement reporting.

REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUNDS

1. Schedule of Changes in Net Pension (Asset) Liability and Related Ratios

GASB No. 68 requires the calculation of the net pension liability (asset) for inclusion in the financial statements. The General Employees' Pension calculation produced an asset of \$558,088 while the Police Pension produced a liability of \$580,527.

2. Schedule of Employer Contributions

GASB No. 68 requires a schedule of actuarially determined contribution less the contribution in relation to the actuarially determined contributions with the excess or deficiency of contributions. The General Employees' Pension had an excess of \$24,002 while the Police Pension contributions agreed to the actuarially determined contributions.

3. Schedule of Investment Returns

The actuary prepared a Schedule of Investment Returns for the Police Pension which calculated the annual money-weighted rate of return net of investment expenses. For the General Employees' Pension the actuary did not provide this schedule.

~~For additional information regarding the pension trust funds refer to Note 3-G on pages E-19 to E-28 in the notes to the financial statements.~~

REQUIRED SUPPLEMENTARY INFORMATION - OPEB

1. Schedule of Funding Progress

GASB No. 45 requires the calculation of a possible future City obligation for an implicit subsidy by providing retirees with the option to continue participating in the City's health, dental, vision and group term life insurance benefits. The calculation of this liability is \$6,000.

The City is not funding this liability and will pay any costs on a "pay as you go" basis. Currently, there are no retirees participating in this benefit.

For additional information regarding OPEB refer to Note 3-I on pages E-29 to E-30 in the notes to the financial statements.



City of Frostproof
The Friendly City

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS

NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds account for proceeds from certain specific revenue sources. These funds are recorded separately as directed by legal requirements, regulatory provisions, or administrative action. As with the General Fund, the primary accounting focus is on the sources and uses of available funds and the financial activity is reported using the modified accrual basis of accounting.

City Hall Restoration Expendable Trust Fund

This fund was created originally to account for contributions received to be used for the restoration of City Hall, formerly the old Frostproof High School. The City has in prior years received and may be eligible to receive future grant funds from the State of Florida, Department of State, Division of Historical Resources, to be used for this purpose.

Latt Maxcy Memorial Library Expendable Trust Fund

This fund was created for use by the library. Financing is provided by donations from the public and is used for expenditures not normally covered in the City budget process.

City of Frostproof, Florida
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2015

	<u>City Hall Restoration Expendable Trust Fund</u>	<u>Latt Maxcy Memorial Library Expendable Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 269	\$ 6,139	\$ 6,408
Total assets	<u>\$ 269</u>	<u>\$ 6,139</u>	<u>\$ 6,408</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Advance from other funds	<u>6,446</u>	<u>-</u>	<u>6,446</u>
Total liabilities	<u>6,446</u>	<u>-</u>	<u>6,446</u>
Fund Balances:			
Restricted for:			
Cultural activities	-	6,139	6,139
Unassigned	<u>(6,177)</u>	<u>-</u>	<u>(6,177)</u>
Total fund balances (deficit)	<u>(6,177)</u>	<u>6,139</u>	<u>(38)</u>
Total liabilities and fund balances	<u>\$ 269</u>	<u>\$ 6,139</u>	<u>\$ 6,408</u>

City of Frostproof, Florida
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	<u>City Hall Restoration Expendable Trust Fund</u>	<u>Latt Maxcy Memorial Library Expendable Trust Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ 3,496	\$ -	\$ 3,496
Investment income	1	-	1
Other	404	-	404
Total revenues	<u>3,901</u>	<u>-</u>	<u>3,901</u>
EXPENDITURES			
Current:			
Culture	3,517	591	4,108
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,517</u>	<u>591</u>	<u>4,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>384</u>	<u>(591)</u>	<u>(207)</u>
Net change in fund balances	384	(591)	(207)
Fund Balances (Deficit), Beginning of year	<u>(6,561)</u>	<u>6,730</u>	<u>169</u>
Fund Balances (Deficit), End of year	<u>\$ (6,177)</u>	<u>\$ 6,139</u>	<u>\$ (38)</u>

FIDUCIARY FUNDS

PENSION TRUST FUNDS

General Employees' Pension Trust Fund

This plan was created October 1, 1985 to provide retirement benefits for City employees with more than one year of service.

Police Officers' Pension Trust Fund

This fund was created May 28, 1985, to provide a retirement fund for police officers. The plan currently covers the police officers who elected to remain with the plan when they transferred to the Polk County Sheriff's Office in January 2008.

City of Frostproof, Florida
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2015

	<u>General Employees' Pension Trust Fund</u>	<u>Police Officers' Pension Trust Fund</u>	<u>Total</u>
ASSETS			
Investments	\$ 1,389,126	\$ 3,503,694	\$ 4,892,820
Receivables:			
Due from other governments	-	22,367	22,367
Due from broker	-	3,329	3,329
Accrued interest and dividends	-	9,479	9,479
Prepaid items	-	10,242	10,242
Total assets	<u>1,389,126</u>	<u>3,549,111</u>	<u>4,938,237</u>
LIABILITIES			
Accounts payable:			
Due to broker for transactions	-	6,544	6,544
Prefunded contribution	-	23,521	23,521
Total liabilities	<u>-</u>	<u>30,065</u>	<u>30,065</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 1,389,126</u>	<u>\$ 3,519,046</u>	<u>\$ 4,908,172</u>

City of Frostproof, Florida
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended September 30, 2015

	<u>General Employees' Pension Trust Fund</u>	<u>Police Officers' Pension Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer:			
City	\$ 32,578	\$ 156,774	\$ 189,352
Other	-	25,398	25,398
Employee	5,394	1,281	6,675
On-behalf payments - State of Florida	-	22,367	22,367
Total contributions	<u>37,972</u>	<u>205,820</u>	<u>243,792</u>
Net Investment income (loss):			
Investment income (loss)	<u>827</u>	<u>(76,252)</u>	<u>(75,425)</u>
Total investment income (loss)	827	(76,252)	(75,425)
Less investment advisor fee	<u>3,547</u>	<u>32,193</u>	<u>35,740</u>
Net investment income (loss)	<u>(2,720)</u>	<u>(108,445)</u>	<u>(111,165)</u>
Total additions, Net	<u>35,252</u>	<u>97,375</u>	<u>132,627</u>
DEDUCTIONS			
Benefits paid	51,462	122,614	174,076
Refunds, former plan members	1,434	-	1,434
Administrative expense	<u>7,300</u>	<u>19,737</u>	<u>27,037</u>
Total deductions	<u>60,196</u>	<u>142,351</u>	<u>202,547</u>
Change in net position	(24,944)	(44,976)	(69,920)
Net position, Beginning of year	<u>1,414,070</u>	<u>3,564,022</u>	<u>4,978,092</u>
Net position, End of year	<u>\$ 1,389,126</u>	<u>\$ 3,519,046</u>	<u>\$ 4,908,172</u>



City of Frostproof
The Friendly City

COMPLIANCE SECTION



Turner A. Wiggins, C.P.A.
Donald J. Smit, C.P.A.
Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

**INDEPENDENT AUDITORS' 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, Members of the City Council
and City Manager
City of Frostproof, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frostproof, Florida (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
Page Two

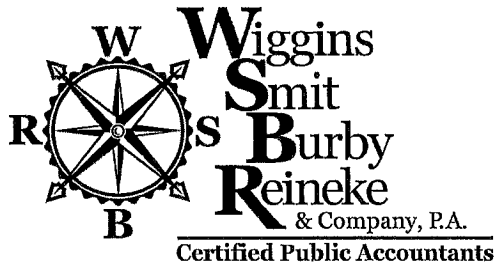
We noted certain matters that we reported to the management of the City in the accompanying management letter dated August 3, 2016.

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.

Wiggins, Smit, Burby, Reineke & Company, P.A.

August 3, 2016
Winter Haven, Florida



Turner A. Wiggins, C.P.A.
Donald J. Smit, C.P.A.
Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Frostproof, Florida (the "City"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated August 3, 2016.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General, Section 218.415, Florida Statutes. Disclosures in those reports which are dated August 3, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the required disclosure for the primary government, see Footnote 1-A in the notes of the basic financial statements. The City does not have any component units included in its reporting entity.

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
Page Two

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Frostproof, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Although the City Hall Restoration Expendable Trust Fund has a deficit in unassigned fund balance, the General Fund has a sufficient unassigned fund balance to cover this deficit.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The results of our financial condition assessment procedures indicated that the City's overall financial condition was not deteriorating as of September 30, 2015.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Frostproof, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have noted our findings and recommendations under the heading Prior Year Findings and Recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we have noted our findings and recommendations under the heading Current Year Findings and Recommendations.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Finding 13-01 - Excess of Expenses over Budget Appropriations

Criteria: All actual department expenditures comply with the budget approved by the City Council.

Condition: The Transportation department overspent the budget for that department. The Public Safety department overspent the budget in the prior year.

Effect: The City's budget is not in compliance with State of Florida Statutes.

Cause: Failure to amend the Transportation department budget for adjustments from capital assets to repairs.

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
Page Three

Recommendation: We recommend that management more closely tie the actual to budget amounts before the final revision of the budget.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding 15-01- Audited Financial Statements Not Timely Filled

Criteria: The City should have the audited annual financial statements submitted to the Auditor General and all other applicable agencies by the due date.

Condition: The City must rely on actuaries for pension plan information included in the financial statements and an outside consultant for assistance with the preparation of the annual financial statements.

Effect: The City has not complied with the required due date which could have adverse effects regarding funding and credit ratings.

Cause: The actuaries were delayed in providing the pension plan information. After receiving the pension information the outside consultant did not prepare and complete the financial statements in a timely manner prior to the due date.

Recommendation: We recommend that management contact the consultants for a discussion on how the information could be obtained more timely to prevent a reoccurrence of this situation.

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, the Mayor, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins, Smit, Buelry, Reineke & Company, P.A.

August 3, 2016
Winter Haven, Florida



... *The Friendly City*

**CITY OF FROSTPROOF'S EXPLANATION
TO MANAGEMENT LETTER**

Auditor General's Office
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

In response to the findings and recommendations in the Management Letter issued in accordance with the rules of the Auditor General – State of Florida by our auditors, Wiggins, Smit, Burby, Reineke & Co., P.A., Certified Public Accountants, we submit the following

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Finding 13-01-Excess of Expenses over Budget Appropriations

Comments on Findings: The City agrees.

Actions Taken or Planned: Management will review and adjust expenses before final budget amendment.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding 15-01-Audited Financial Statements Not Timely Filed

Comments on Findings: The City agrees.

Actions Taken or Planned: The City will work more closely with consultants to ensure a timely audit.

Sincerely,

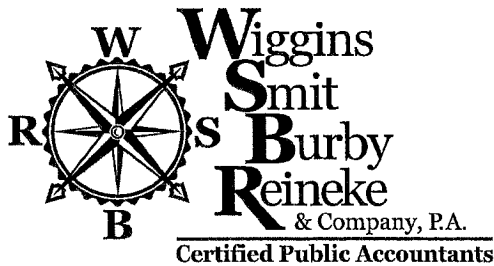

Melody Sauerhafer
Finance Manager

August 3, 2016
Frostproof, Florida

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"Equal Opportunity Employer"

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Pamela M. Burby, C.P.A.
John S. Reineke, C.P.A.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined the City of Frostproof, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2015, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Our report on compliance 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, the Mayor, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins, Smit, Burby, Reineke & Company, P.A.

August 3, 2016
Winter Haven, Florida