



CITY OF FROSTPROOF, FLORIDA
FINANCIAL STATEMENTS

September 30, 2016

City of Frostproof, Florida
Annual Financial Report
For the year ended September 30, 2016

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City of Frostproof
The Friendly City

INTRODUCTORY SECTION

City of Frostproof, Florida

LIST OF PRINCIPAL OFFICIALS

September 30, 2016

City Council

Mayor

Rodney Cannon

Council Members

Ralph Waters
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 Service 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, 2016, 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.

Honorable Mayor, Members of the City Council
and City Manager
City of Frostproof, Florida
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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, 2016, 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 4 through 14 and 61 through 69 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 schedule of expenditures of state financial assistance projects is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the financial statements.

The combining financial statements and the schedule of expenditures of state financial assistance projects 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 and the schedule of expenditures of state financial assistance projects 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 June 26, 2017, 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, Buelby, Reineke & Company, P. A.

June 26, 2017
Winter Haven, Florida

CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

As management of the City of Frostproof, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,596,704 (net position). Of this amount, \$3,401,778 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$690,844 as a result of operations and increased \$61,430 due to a restatement of previously reported net position. For more information on the restatement see Note 14 of the notes to the financial statements.
- The City's governmental activities reported ending net position of \$7,559,971 a decrease of \$61,288 as a result of operations and an increase of \$61,430 due to the previously mentioned restatement for a net increase of \$142 for the year.
- The City's business-type activities reporting ending net position of \$12,036,733, an increase of \$752,132. The increase was mainly caused by increased capital grants used to fund wastewater system improvements.

Overview of the Financial Statements

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

Government-wide financial statements

The government-wide financial statements consist of two financial statements that address the financial position and result of operations of the City taken as a whole. These two financial statements are the Statement of Net Position and 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 like the accounting used by most private-sector companies. All 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, liabilities, and deferred inflows and outflows of resources with the residual measure 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

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. The governmental activities of the City include general government, public safety, transportation (streets), culture (library, City Hall auditorium, etc.), and community affairs (recreations and parks).
- **Business-type activities** – This category of the government-wide financial statements include those activities which the City charges a fee to customers to cover all or most of the cost of the services the City provides. The business-type activities of the City consist of water, wastewater treatment, sanitation and stormwater services.

The government-wide financial statements can be found on pages 15 and 16 of this report and 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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 these operations. Instead, the account 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.

CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Overview of the Financial Statements (Cont'd)

Fund Financial Statements – Governmental funds (Cont'd)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one major governmental fund referred to 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 as 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 as required supplementary information 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 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 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 fund 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.

CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Overview of the Financial Statements (Cont'd)

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 pension trust funds and the City's obligation for other postemployment benefits.

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.

CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Government-wide Financial Analysis

The following is a summary of the information presented in the **Statement of Net Position** on page 15 of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,977,155	\$ 3,643,871	\$ 1,461,142	\$ 1,517,677	\$ 4,438,297	\$ 5,161,548
Capital assets	4,676,998	4,450,028	14,196,018	13,991,112	18,873,016	18,441,140
Total assets	7,654,153	8,093,899	15,657,160	15,508,789	23,311,313	23,602,688
Deferred outflows	756,318	242,629	103,268	27,592	859,586	270,221
Current liabilities	76,539	60,376	309,342	181,307	385,881	241,683
Non-current liabilities	698,721	640,411	3,387,199	4,041,996	4,085,920	4,682,407
Total liabilities	775,260	700,787	3,696,541	4,223,303	4,471,801	4,924,090
Deferred inflows	75,240	75,912	27,154	28,477	102,394	104,389
Net position:						
Net investment in capital assets	4,676,998	4,450,028	10,644,615	9,904,003	15,321,613	14,354,031
Restricted	621,412	936,547	251,901	220,825	873,313	1,157,372
Unrestricted	2,261,561	2,173,254	1,140,217	1,159,773	3,401,778	3,333,027
Total net position	\$ 7,559,971	\$ 7,559,829	\$ 12,036,733	\$ 11,284,601	\$ 19,596,704	\$ 18,844,430

Net position – Investment in Capital Assets – The largest portion of the City's net position, (78%) reflects its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position – Restricted – Restricted net position, representing 4% of the City's total net position, are subject to external restrictions on how they may be used.

Net position – Unrestricted - Unrestricted net position comprises 18% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2016, the City is able to report positive balances in all three categories of net position for the City as a whole.

CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Government-wide Financial Analysis (Cont'd)

The following is a summary of the information presented in the **Statement of Activities** on page 16 of this report.

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 147,048	\$ 224,703	\$ 1,767,289	\$ 1,720,097	\$ 1,914,337	\$ 1,944,800
Operating grants/contrib.	273,745	242,780	-	-	273,745	242,780
Capital grants/contrib.	144,128	104,979	952,746	60,571	1,096,874	165,550
<i>General revenues:</i>						
Taxes	1,513,425	1,481,832	-	-	1,513,425	1,481,832
Intergovernmental	300,901	285,480	-	-	300,901	285,480
Other	28,435	24,076	3,623	4,361	32,058	28,437
Total revenues	<u>2,407,682</u>	<u>2,363,850</u>	<u>2,723,658</u>	<u>1,785,029</u>	<u>5,131,340</u>	<u>4,148,879</u>
Expenses:						
General government	549,197	494,213	-	-	549,197	494,213
Public safety	1,091,749	1,167,486	-	-	1,091,749	1,167,486
Transportation	448,454	427,882	-	-	448,454	427,882
Culture	265,313	254,752	-	-	265,313	254,752
Community affairs	114,257	125,896	-	-	114,257	125,896
Water and wastewater	-	-	1,560,688	1,572,367	1,560,688	1,572,367
Sanitation	-	-	334,768	324,874	334,768	324,874
Stormwater	-	-	76,070	59,426	76,070	59,426
Total expenses	<u>2,468,970</u>	<u>2,470,229</u>	<u>1,971,526</u>	<u>1,956,667</u>	<u>4,440,496</u>	<u>4,426,896</u>
Change in Net Position	<u>(61,288)</u>	<u>(106,379)</u>	<u>752,132</u>	<u>(171,638)</u>	<u>690,844</u>	<u>(278,017)</u>
Net position - Beginning	7,559,829	7,891,512	11,284,601	11,356,125	18,844,430	19,247,637
Restatement	61,430	(225,304)	-	100,114	61,430	(125,190)
Net position - Ending	<u>\$7,559,971</u>	<u>\$7,559,829</u>	<u>\$12,036,733</u>	<u>\$11,284,601</u>	<u>\$19,596,704</u>	<u>\$18,844,430</u>

Governmental activities - Governmental activities decreased the City's net position by \$61,288 as a result of operations as compared to a decrease of \$106,379 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue increased by \$43,832
- Total expenses decreased by \$1,259

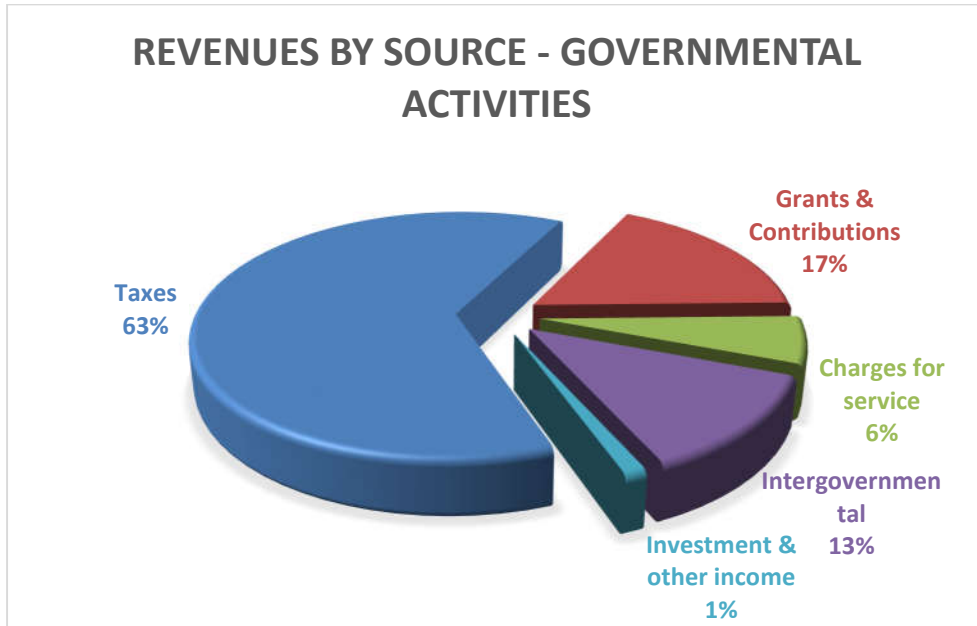
Business-type activities - Business-type activities increased City's net position by \$752,132 as a result of operations, as compared to a decrease of \$171,638 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue increased by \$938,629
- Total expenses increased by \$14,859

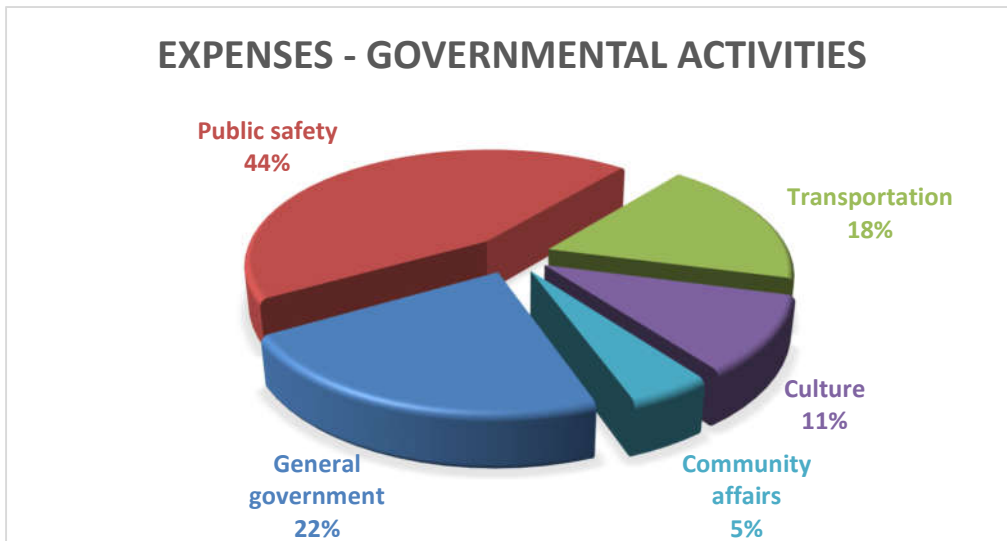
CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Government-wide Financial Analysis (Cont'd)

The following pie chart illustrates revenues of governmental activity by source for the year ended September 30, 2016. Taxes, which include property, franchise and utility taxes, comprise 63% of the revenue in the City's governmental activities. Taxes increased \$31,593 from the prior year.

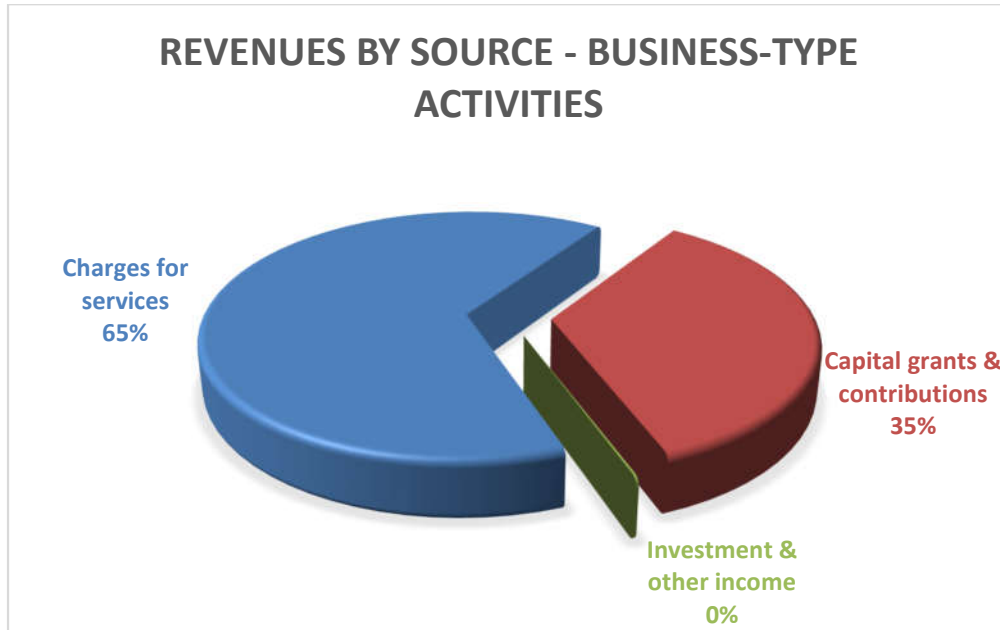


The following pie chart illustrates expenses of governmental activities for the year ended September 30, 2016. Public safety is the largest expense and comprises 44% of the expenses in the City's governmental activities. Public safety expenses decreased by \$75,737 from the prior year.

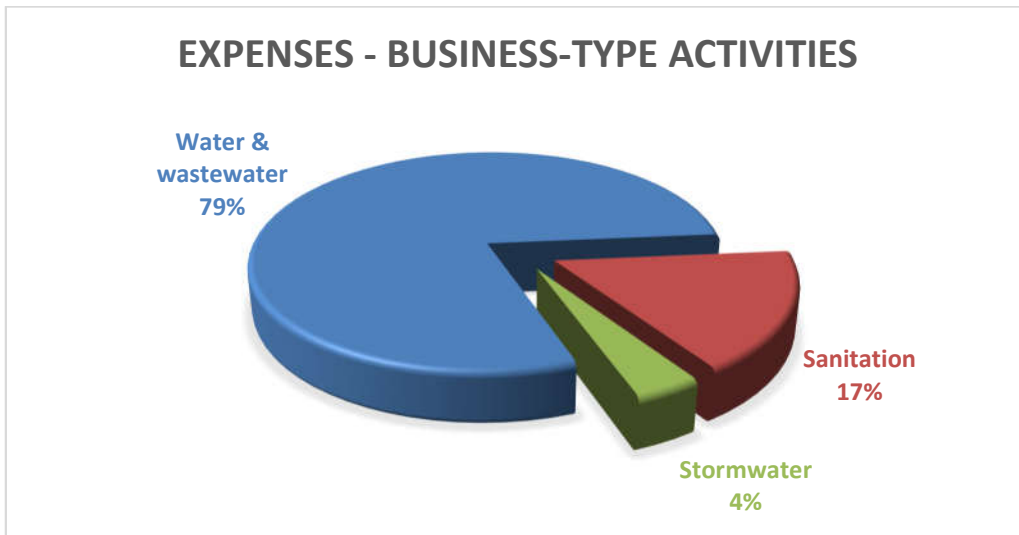


Government-wide Financial Analysis (Cont'd)

The following pie chart illustrates revenues of business-type activities by source for the year ended September 30, 2016. Charges for services comprise 65% of the revenues in the City's business-type activities. Charges for services increased by \$47,192 from the prior year.



The following pie chart illustrates expenses of business-type activities for the year ended September 30, 2016. The water and wastewater system accounts for 79% of the expenses of the City's business-type activities. Water and wastewater system expenses decreased by \$11,679 from the prior year.



CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

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

As of the end of the current fiscal year, the City's only major governmental fund, the general fund, reported ending fund balances of \$2,724,147, a decrease of \$425,801 in comparison with the previously reported balance in the prior year. Of this total, \$2,094,295 for the general fund constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$629,852, is nonspendable, restricted or assigned as indicated. Total fund balance in the prior year was \$3,149,948, of which \$2,056,215 represented unassigned fund balance.

Activity during the current fiscal year included the following key components:

- Total governmental funds revenues increased by \$82,928 or 4% mainly due to a \$59,947 increase in taxes.
- Total governmental funds expenditures increased by approximately \$523,254 or 22% mainly caused by increased capital outlay expenditures.

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

General Fund Budgetary Highlights

The general fund's budgetary comparison schedule is presented in this report as required supplementary information. The City revised its original budget on November 21, 2016 to reflect changes in expenditures and revenues.

Actual revenue on a budgetary basis were more than budgeted resources by \$120,859 and actual expenditures on a budgetary basis were \$111,798 less than budgeted resulting in an overall favorable budget variance of \$263,229.

CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

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, 2016, amounts to \$18,873,016 (net of accumulated depreciation). This investment includes land, buildings, vehicles, equipment, furnishings, water and wastewater treatment system and stormwater system. This amount represents a net increase of \$431,876 or 2% over last year which is the result of current year additions in excess of current year depreciation expense.

Information on the City's capital assets is summarized in the following table.

Capital Assets Activity
(net of accumulated depreciation)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 167,836	\$ 167,836	\$ 80,318	\$ 80,318	\$ 248,154	\$ 248,154
Buildings	2,410,276	2,473,210	-	-	2,410,276	2,473,210
Intangible assets	-	-	105,300	105,300	105,300	105,300
Idle assets	-	-	216,537	216,537	216,537	216,537
Improvements other than buildings	722,708	766,729	-	-	722,708	766,729
Machinery and equipment	526,228	551,024	236,370	223,378	762,598	774,402
Infrastructure	849,950	491,229	-	-	849,950	491,229
Water and wastewater system	-	-	11,951,541	12,666,982	11,951,541	12,666,982
Stormwater system	-	-	581,460	604,504	581,460	604,504
Construction in progress	-	-	1,024,492	94,093	1,024,492	94,093
Total	\$4,676,998	\$4,450,028	\$14,196,018	\$ 13,991,112	\$18,873,016	\$ 18,441,140

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

- Road resurfacing and renovation project
- Equipment purchases

Additional information on the City's capital assets can be found in note 5 on page 41 of this report.

CITY OF FROSTPROOF
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Long-Term Debt - At the end of the current fiscal year, the City had total debt outstanding in the amount of \$3,551,403 in bonds and loans payable. The following table provides a comparative summary of the City's outstanding debt.

Outstanding Debt							
as of September 30,							
	Governmental Activities		Business-type Activities		Total Primary Government		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Revenue bonds payable	\$ -	\$ -	\$ 1,303,268	\$ 1,376,845	\$ 1,303,268	\$ 1,376,845	
Loans payable	-	-	2,248,135	2,665,151	2,248,135	2,665,151	
Total	\$ -	\$ -	\$ 3,551,403	\$ 4,041,996	\$ 3,551,403	\$ 4,041,996	

Additional information on the City's long-term debt can be found in note 6 on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the following significant items will affect the 2017 fiscal year:

- The City refinanced the USDA RUS Loan on September 23, 2017. Over the life of the loan it will save the City \$588,000.
- The City implemented a Fire Assessment fee during fiscal year 16-17 which will bring in approximately \$260,000 of additional revenue to fund the City's fire protection services.
- The City completed the distribution line to Well #6 which has the potential of adding three mobile home parks to the City's water system.

All of these significant factors were considered in preparing the City's budget for the 2017 fiscal year, and are expected to influence the City's fiscal year 2017 financial results.

Requests for information

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

CITY OF FROSTPROOF, FLORIDA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,688,639	\$ 767,135	\$ 2,455,774
Investments	376,389	-	376,389
Receivables, current:			
Customer accounts, net	-	153,746	153,746
Franchise and utility service taxes	48,131	-	48,131
Intergovernmental	58,590	156,042	214,632
Notes receivable	7,090	-	7,090
Net pension asset	174,684	63,046	237,730
Restricted assets:			
Cash and cash equivalents	623,632	321,173	944,805
Capital Assets:			
Non-depreciable	167,836	1,426,647	1,594,483
Depreciable, net	4,509,162	12,769,371	17,278,533
TOTAL ASSETS	<u>7,654,153</u>	<u>15,657,160</u>	<u>23,311,313</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	756,318	103,268	859,586
LIABILITIES			
Accounts payable	33,394	45,401	78,795
Accrued payroll	12,423	3,879	16,302
Due to other governments	1,090	-	1,090
Unearned revenue	29,632	-	29,632
Accrued interest payable	-	14,678	14,678
Customer deposits	-	54,590	54,590
Long-term obligations:			
Due within one year	-	190,794	190,794
Due in more than one year	698,721	3,387,199	4,085,920
TOTAL LIABILITIES	<u>775,260</u>	<u>3,696,541</u>	<u>4,471,801</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	75,240	27,154	102,394
NET POSITION			
Net investment in capital assets	4,676,998	10,644,615	15,321,613
Restricted for:			
Debt service	-	108,841	108,841
Cultural activities	6,011	-	6,011
Capital improvement	92,534	143,060	235,594
Public safety operations	2,587	-	2,587
Transportation expenses	520,280	-	520,280
Unrestricted	2,261,561	1,140,217	3,401,778
TOTAL NET POSITION	<u>\$ 7,559,971</u>	<u>\$ 12,036,733</u>	<u>\$ 19,596,704</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
STATEMENT OF ACTIVITIES
for the year ended September 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 549,197	\$ 86,197	\$ 25,000	\$ 846	\$ (437,154)	\$ -	\$ (437,154)
Public safety	1,091,749	26,233	51,681	11,328	(1,002,507)	-	(1,002,507)
Transportation	448,454	25,051	158,669	130,321	(134,413)	-	(134,413)
Culture/recreation	265,313	9,567	38,395	499	(216,852)	-	(216,852)
Community affairs	114,257	-	-	1,134	(113,123)	-	(113,123)
Total governmental activities	2,468,970	147,048	273,745	144,128	(1,904,049)	-	(1,904,049)
Business-type activities							
Water and wastewater utility	1,550,394	1,352,974	-	952,146	-	754,726	754,726
Sanitation utility	334,768	363,245	-	-	-	28,477	28,477
Stormwater utility	76,070	51,070	-	600	-	(24,400)	(24,400)
Total business-type activities	1,961,232	1,767,289	-	952,746	-	758,803	758,803
TOTAL PRIMARY GOVERNMENT	\$ 4,430,202	\$ 1,914,337	\$ 273,745	\$ 1,096,874	(1,904,049)	758,803	(1,145,246)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					902,226	-	902,226
Franchise and public service taxes					611,199	-	611,199
State shared revenue					300,901	-	300,901
Investment earnings					10,489	3,623	14,112
Other revenues					17,946	-	17,946
Loss on disposal of capital assets					-	(10,294)	(10,294)
Total general revenues and transfers					1,842,761	(6,671)	1,836,090
Change in net position					(61,288)	752,132	690,844
NET POSITION, as previously reported					7,559,829	11,284,601	18,844,430
Restatement (Note 14)					61,430	-	61,430
NET POSITION, as restated					7,621,259	11,284,601	18,905,860
NET POSITION, end of year					\$ 7,559,971	\$ 12,036,733	\$ 19,596,704

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
September 30, 2016

	General Fund	Non-major Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,688,639	\$ 8,231	\$ 1,696,870
Investments	376,389	-	376,389
Receivables, current:			
Franchise and utility service taxes	48,131	-	48,131
Intergovernmental	58,590	-	58,590
Notes receivable	7,090	-	7,090
Advances to other funds	6,446	-	6,446
Restricted assets:			-
Cash and cash equivalents	615,401	-	615,401
Total assets	<u>\$ 2,800,686</u>	<u>\$ 8,231</u>	<u>\$ 2,808,917</u>
LIABILITIES			
Accounts payable	33,394	-	33,394
Accrued wages	12,423	-	12,423
Due to other governments	1,090	-	1,090
Advances from other funds	-	6,446	6,446
Unearned revenue	29,632	-	29,632
Total liabilities	<u>76,539</u>	<u>6,446</u>	<u>82,985</u>
FUND BALANCE			
Nonspendable:			
Advances to other funds	6,446	-	6,446
Restricted for:			
Cultural activities	-	6,011	6,011
Public safety	2,587	-	2,587
Capital improvements	92,534	-	92,534
Transportation improvements	520,280	-	520,280
Assigned to:			
City centennial	8,000	-	8,000
Public safety	5	-	5
Unassigned	2,094,295	(4,226)	2,090,069
Total fund balances (deficit)	<u>2,724,147</u>	<u>1,785</u>	<u>2,725,932</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,800,686</u>	<u>\$ 8,231</u>	<u>\$ 2,808,917</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND TO THE
STATEMENT OF NET POSITION**

September 30, 2016

**Amounts reported for governmental activities in the statement of net position
are different because:**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,725,932
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,676,998
The net pension asset is not an available resource and, therefore is not reported in the governmental funds	174,684
Deferred outflows of resources represent an decrease in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds	756,318
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds	(75,240)
Long-term liabilities, including bonds and notes payable, compensated absences and net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(698,721)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 7,559,971</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
for the year ended September 30, 2016

	General Fund	Non-major Governmental Funds	Total
REVENUES:			
Taxes:			
Property	\$ 902,226	\$ -	\$ 902,226
Franchise and utility taxes	639,553	-	639,553
Licenses and permits	35,356	-	35,356
Intergovernmental revenue	642,804	-	642,804
Charges for services	113,474	2,928	116,402
Fines and forfeitures	2,100	-	2,100
Investment income	10,487	2	10,489
Other	80,945	485	81,430
Total revenues	<u>2,426,945</u>	<u>3,415</u>	<u>2,430,360</u>
EXPENDITURES:			
Current:			
General government	480,308	-	480,308
Public safety	1,205,847	-	1,205,847
Transportation	385,542	-	385,542
Culture	193,356	1,592	194,948
Community affairs	65,322	-	65,322
Capital outlay	522,371	-	522,371
Total expenditures	<u>2,852,746</u>	<u>1,592</u>	<u>2,854,338</u>
NET CHANGE IN FUND BALANCE	(425,801)	1,823	(423,978)
FUND BALANCE, beginning of year	<u>3,149,948</u>	<u>(38)</u>	<u>3,149,910</u>
FUND BALANCE, end of year	<u>\$ 2,724,147</u>	<u>\$ 1,785</u>	<u>\$ 2,725,932</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUND
September 30, 2016

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 767,135
Receivables:	
Customers, net	153,746
Intergovernmental	156,042
Restricted cash and cash equivalents	104,550
Total current assets	1,181,473
Noncurrent assets:	
Restricted cash and cash equivalents	216,623
Net pension asset	63,046
Capital assets:	
Non-depreciable	1,426,647
Depreciable, net	12,769,371
Total noncurrent assets	14,475,687
Total assets	15,657,160
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	103,268
LIABILITIES	
Current liabilities:	
Accounts payable	45,401
Accrued wages	3,879
Liabilities payable from restricted assets	
Customer deposits	54,590
Interest payable	14,678
Bonds and notes payable, current	190,794
Total current liabilities	309,342
Noncurrent liabilities:	
Compensated absences	26,590
Bonds and notes payable, noncurrent portion	3,360,609
Total noncurrent liabilities	3,387,199
Total liabilities	3,696,541
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	27,154
NET POSITION	
Net investment in capital assets	10,644,615
Restricted for:	
Debt service	108,841
Capital improvements	143,060
Unrestricted	1,140,217
Total net position	\$ 12,036,733

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUND
for the year ended September 30, 2016

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	
Water and wastewater (pedged as security for revenue bonds)	\$ 1,352,974
Stormwater	51,070
Assessment and franchise fees - Sanitation	363,245
Total operating revenues	1,767,289
OPERATING EXPENSES:	
Personnel services	285,417
Contract services	107,126
Insurance	44,787
Materials and supplies	62,807
Repair and maintenance	139,540
Sanitation fees	291,696
Utilities	85,776
Miscellaneous	7,795
Depreciation	803,429
Total operating expenses	1,828,373
OPERATING LOSS	(61,084)
NONOPERATING REVENUE (EXPENSE)	
Interest expense	(132,859)
Loss on disposal of property	(10,294)
Investment revenue	3,623
Total nonoperating revenues (expense)	(139,530)
INCOME BEFORE CONTRIBUTIONS AND GRANTS	(200,614)
CAPITAL CONTRIBUTIONS	
Grants	947,646
Capacity fees	5,100
Total capital contributions	952,746
CHANGE IN NET POSITION	752,132
NET POSITION, beginning of year	11,284,601
NET POSITION, end of year	\$ 12,036,733

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
for the year ended September 30, 2016

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,754,269
Payments to suppliers	(779,960)
Payments for salaries and benefits	(275,607)
Net cash flows from operating activities	<u>698,702</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(1,018,627)
Principal paid on long-term debt	(490,593)
Interest paid on borrowings	(132,859)
Impact fees received	5,100
Capital grants received, net of change in related receivable	814,754
Net cash flows from capital and related financing activities	<u>(822,225)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on invested funds	3,623
Net cash flows from investing activities	<u>3,623</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119,900)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,208,208</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,088,308</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (61,084)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	803,429
(Increase) decrease in accounts receivable	(14,610)
Increase (decrease) in customer deposits	1,590
Increase (decrease) in accounts payable	(40,433)
Increase (decrease) in accrued wages and comp absences	4,678
Increase (decrease) in pension elements	5,132
Net cash flows from operating activities	<u>\$ 698,702</u>
As shown in the Accompanying Financial Statements	
Cash and cash equivalents	\$ 767,135
Restricted cash and cash equivalents	321,173
Total cash and cash equivalents	<u>\$ 1,088,308</u>
Noncash financing and investing activities:	
None	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
September 30, 2016

	Pension Trust Funds
ASSETS	
Investments	\$ 5,122,643
Receivables:	
Due from other governments	12,192
Due from broker	826
Accrued interest and dividends	14,071
Prepaid items	19,916
Total assets	5,169,648
LIABILITIES	
Accounts payable:	
Due to broker	3,102
Total liabilities	3,102
NET POSITION	
Restricted for pension benefits	5,166,546

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
For the year ended September 30, 2016

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer:	
City	\$ 129,293
Other	27,915
Employee	6,783
On-behalf payments - State of Florida	21,765
Total contributions	185,756
Investment earnings:	
Interest	24,598
Dividends	48,463
Net increase in the fair value of investments	385,730
Total investment earnings	458,791
Less investment expense	26,283
Net investment earnings	432,508
Total additions	618,264
 DEDUCTIONS	
Benefits	199,360
Refund of contributions	129,896
Administrative expenses	30,634
Total deductions	359,890
 CHANGE IN NET POSITION	 258,374
NET POSITION, beginning of year	4,908,172
NET POSITION, end of year	\$ 5,166,546

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

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 Charter was amended most recently by referendum on April 3, 2007. The City operates under a council-city manager form of government. These financial statements include all of the funds, organizations, agencies, and departments of the City (the "primary government") and any "legally separate entities ("component units") required by U.S. GAAP to be included in the reporting entity.

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

Based on these criteria, the financial reporting entity does not include or exclude any component units.

The financial reporting entity does not include the assets of the employee defined contribution pension plan, which were determined not to be assets of the City.

B. BASIS OF PRESENTATION

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

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

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. The City's fiduciary funds are presented in the fund financial statements by type (pension trust funds only) but as noted above are not included in the government-wide statements.

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

The City reports the following major governmental fund:

- **General Fund** – The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as public safety, public works, street construction and maintenance, culture and recreation, and general administration are provided by the general fund.

The City reports the following major proprietary fund:

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

In addition, the City reports the following fund types:

- **Special Revenue Funds** – Special Revenue Funds are a type of governmental fund used to account for revenue sources that are usually restricted by law, regulation, or administrative action. The City has two non-major special revenue funds.
- **Pension Trust Funds** – Pension Trust Funds are a type of fiduciary fund used to account for the activities of the general employees' pension and the police officers' pension plans, which accumulate resources for defined benefit payments to qualified employees.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

The proprietary fund is reported *economic measurement focus* and the *accrual basis of accounting*. Proprietary fund operating revenues generally result from producing and providing sanitation, potable water, stormwater management and, wastewater collection, treatment and disposal services to area residents. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

CASH AND INVESTMENTS

- **Cash and Cash Equivalents** – For purposes of the statement of cash flows for the proprietary fund types, cash and equivalents includes cash on hand, bank demand deposits, certificates of deposit, money-market and savings accounts and equity in pooled cash and investments. Equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less.
- **Pooled Cash and Investments** – The City maintains an accounting system which centralizes the investment function of all funds. Each fund's "share" of these pooled cash and investments is included in cash and cash equivalents on the accompanying balance sheets/statements of net position. Investment earnings are distributed monthly in accordance with the participating fund's relative percentage of investments.
- **Restricted Cash and Investments** – Represent equity in pooled cash and investments and separately identified investments that are legally restricted to specific uses by external parties or enabling legislation. The City generally uses restricted resources first when an expenditure/expense is incurred for which both restricted and unrestricted resources are available.
- **Investments** – All investments, including those of the pension trust funds, are stated at fair value, which is either a quoted price or the best available estimate.

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 \$3,583 in the business-type activities.

INTERFUND BALANCES – 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 account of the fund until liquidated. Any remaining balance 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.

INVENTORY – 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.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure, and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system) acquired prior to October 1, 2003, have not been reported. Capital assets are defined by City policy as personal or real property or improvements with an individual cost of \$1,000 or more (\$5,000 for infrastructure assets) and an estimated useful life more than one year. Such assets are recorded at historical cost, if purchased and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

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 capital assets are valued at their estimated fair market value on the date received.

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

Depreciation expense 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. Capital asset depreciation is recognized using the straight-line method over the estimated useful lives 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

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INTEREST COSTS - Interest costs are capitalized when incurred on debt the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2016.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and 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 pension. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied 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 report 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 Cod. Sec. P20 and will be recognized as a reduction to pension expense in future reporting years.

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

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

COMPENSATED ABSENCES – The City personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. The liability for these compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured because of employee resignations, terminations or retirements.

INTERFUND TRANSFERS – 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.

CONNECTION FEES AND CAPACITY FEES – Water connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Capacity fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received, which reserve capacity in the City's future water facilities, are reported as capital contributions when the requirements of the Developer agreements are met by the City.

EQUITY CLASSIFICATIONS -

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

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of restricted assets reduced by liabilities related to those assets. The government-wide statement of net position reports \$873,313 of restricted net position, of which \$764,472 is restricted by enabling legislation.
- c) Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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

Nonspendable — amounts that cannot be spent either because they are in nonspendable form (such as inventory) or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed — amounts constrained to specific purposes by formal action (ordinance) of the City using its highest level of decision making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action (ordinance) to remove or change the constraint.

Assigned — amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. The City Commission has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.

Unassigned — all other spendable amounts.

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

USE OF ESTIMATES – The preparation of the 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 estimates.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special districts and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Council prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the Polk County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2016 was 8.0587.

All taxes are due and payable on November 1 of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The 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 they 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 expenditures 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, 2016, the City Council amended the original budget on November 7, 2016.

Budgetary information is presented as Required Supplementary Information. The budgetary comparison schedule for the General Fund, the only major governmental fund, is shown on page 61.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – 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.

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

At September 30, 2016, the carrying amount of the City's deposits and investments (excluding pension trust funds) is summarized below:

Cash and cash equivalents:	
Cash on hand	\$ 860
Deposits in financial institutions:	
Insured or fully collateralized bank deposits,	<u>3,399,719</u>
Total cash and cash equivalents	<u><u>\$3,400,579</u></u>

Custodial credit risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City has no formal policy regarding custodial credit risk.

The City's investments 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).

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – CASH AND INVESTMENTS (cont...)

Restricted Cash

Certain cash and cash equivalents are legally restricted in the statement of net position at September 30, 2016 as follows:

	Governmental Activities	Business-type Activities
Capital improvements - transportation	\$ 520,280	\$ -
Building permits	2,587	-
Cultural activities	8,231	-
Impact fees:		
Water	-	2,250
Sewer	-	3,000
Stormwater	-	300
Fire protection	18,536	-
General government	16,683	-
Library	10,586	-
Police	11,748	-
Parks and recreation	21,026	-
Transportation	13,955	-
Stormwater management	-	137,510
Customer deposits	-	54,590
Debt service	-	123,523
Total restricted cash	<u>\$ 623,632</u>	<u>\$ 321,173</u>

Investments

The City does not have a formal investment policy for dealing with investment risks and therefore follows the guidance in the Florida Statutes. The types of investments in which the City may invest are governed by section 218.415, Florida Statutes. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments. The pension trust funds have individual investment policies which set forth the allowable mix and type of investments allowed including corporate or other bonds and common stock with certain limitations.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – CASH AND INVESTMENTS (cont...)

Investments (cont...)

As of September 30, 2016, the City had the following investments at fair value:

Investment Type:	Governmental Activities	Fiduciary Funds	Total	Portfolio
Money market funds	\$ 69,436	\$ 134,575	\$ 204,011	3.71%
Certificates of deposit	50,924	-	50,924	0.93%
U.S. treasuries	256,029	481,813	737,842	13.42%
U.S. Govt agencies	-	201,622	201,622	3.67%
FMPTF (a)	-	1,363,565	1,363,565	24.80%
Corporate bonds	-	463,333	463,333	8.43%
Corporate stocks	-	2,477,735	2,477,735	45.06%
Total investments	<u>\$ 376,389</u>	<u>\$ 5,122,643</u>	<u>\$ 5,499,032</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 FMPTF at 301 Bronough Street, Suite 300, Tallahassee, Florida 32301.

Investments – Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City (excluding pension trust fund investments) has the following recurring fair value measurements as of September 30, 2016:

- U.S. Treasury securities of \$256,029 are valued using quoted market prices (Level 1 inputs).
- Money market funds of \$69,436 and certificates of deposit of \$50,924 are valued using amortized cost.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – CASH AND INVESTMENTS (cont...)

Investments – Fair Value (cont...)

The City’s Pension Trust Funds have the following recurring fair value measurements as of September 30, 2016:

The General Employees’ Pension Trust Fund is a participating member of the FMPTF. All assets with the FMPTF are invested through the Florida Municipal Investment Trust (FMIvT) for the benefit of the participating members. The FMIvT, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida as a local government investment pool and is considered an external investment pool for GASB purposes and; therefore, the City is not required to categorize the positions in the pool within the fair value hierarchy as established by U.S. GAAP. Redemptions from the FMIvT are permitted monthly upon advance written notification.

As of September 30, 2016, the carrying amount of the General Employees’ Pension Trust Fund’s investments with the FMIvT were as follows:

General Employees’ Pension Trust Fund	
FMIvT Cash Fund	\$ 12,548
FMIvT Broad Market High Quality Bond Fund	212,458
FMIvT Core Plus Fund	324,135
FMIvT High Quality Growth Fund	103,505
FMIvT Diversified Small to Mid Cap Fund	153,896
FMIvT Russell 1000 Enhanced Fund	311,878
FMIvT International Blend Fund	133,468
FMIvT Diversified Value Fund	111,677
Total	<u>\$ 1,363,565</u>

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – CASH AND INVESTMENTS (cont...)

Investments – Fair Value (cont...)

Police Officers' Pension Trust Fund:

	September 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level				
Debt securities				
U.S. Treasury securities	\$ 481,813	\$ -	\$ 481,813	\$ -
U.S. Agencies	201,622	-	201,622	-
Corporate bonds	463,333	-	463,333	-
Total debt securities	<u>1,146,768</u>	<u>-</u>	<u>1,146,768</u>	<u>-</u>
Equity securities				
Domestic	1,828,215	1,828,215	-	-
Foreign	634,095	634,095	-	-
Real estate	15,425	14,906	-	518
Total equity securities	<u>2,477,735</u>	<u>2,477,216</u>	<u>-</u>	<u>518</u>
Total investments by fair value level	<u>3,624,503</u>	<u>\$ 2,477,216</u>	<u>\$ 1,146,768</u>	<u>\$ 518</u>
Investments measured at amortized cost				
Money market mutual funds	134,575			
Total investments	<u>\$ 3,759,078</u>			

Debt and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – CASH AND INVESTMENTS (concluded)

Investments – Fair Value (concluded)

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that change in interest rates could adversely affect an investment's fair value. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy regarding interest rate risk, credit risk or foreign currency risk.

The schedule below summarizes the fixed income investments by credit rating and maturity (a measure of credit risk and interest rate risk).

Investment Type	Credit Rating (a)	Fair Value	Weighted Average Maturity
Governmental activities:			
U.S. Treasury securities	Aaa	\$ 256,029	3.50
General Employees Pension Trust Fund:			
FMIvT Broad Market High Quality Bond Fund	AAf/S4	212,458	5.90
FMIvT Core Plus Fund	Not Rated	324,135	6.84
		<u>\$ 536,593</u>	
Police Officers' Pension Trust Fund:			
U.S. Treasury securities	AAA	481,813	1.35
U.S. Agencies	AAA	201,622	0.69
Corporate bonds	Aa1 to A2	463,333	0.91
		<u>\$ 683,435</u>	

(a) The credit rating service listed above is Moody's except for the FMIvT investments which is rated by Fitch

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, 2016.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Transfers	Increases	Decreases	Balance September 30, 2016
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 167,836	\$ -	\$ -	\$ -	\$ 167,836
Total capital assets, not being depreciated	167,836	-	-	\$ -	167,836
Capital assets, being depreciated:					
Buildings	4,310,961	-	52,068	-	4,363,029
Capitalized building lease	97,154	-	-	-	97,154
Improvements, other than buildings	1,572,653	-	-	-	1,572,653
Equipment	2,287,821	-	81,684	(4,402)	2,365,103
Infrastructure	614,585	-	388,387	-	1,002,972
Total capital assets, being depreciated	8,883,174	-	522,139	(4,402)	9,400,911
Less accumulated depreciation for:					
Buildings	(1,908,188)	-	(115,002)	-	(2,023,190)
Capitalized building lease	(26,717)	-	-	-	(26,717)
Improvements, other than buildings	(805,924)	-	(44,021)	-	(849,945)
Equipment	(1,736,797)	-	(104,859)	2,781	(1,838,875)
Infrastructure	(123,356)	-	(29,666)	-	(153,022)
Total accumulated depreciation	(4,600,982)	-	(293,548)	2,781	(4,891,749)
Total capital assets being depreciated, net	4,282,192	-	228,591	(1,621)	4,509,162
Governmental activities capital assets, net	\$ 4,450,028	\$ -	\$ 228,591	\$ (1,621)	\$ 4,676,998
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 80,318	\$ -	\$ -	\$ -	\$ 80,318
Construction-in-progress	94,093	-	930,399	-	1,024,492
Intangible assets	105,300	-	-	-	105,300
Idle assets	216,537	-	-	-	216,537
Total capital assets, not being depreciated	496,248	-	930,399	-	1,426,647
Capital assets, being depreciated:					
Water and wastewater system	18,244,100	-	16,715	(14,000)	18,246,815
Stormwater system	844,804	-	960	-	845,764
Machinery and equipment	597,175	-	70,553	(5,870)	661,858
Total capital assets, being depreciated	19,686,079	-	88,228	(19,870)	19,754,437
Less accumulated depreciation for:					
Water and wastewater system	(5,577,118)	-	(724,363)	6,207	(6,295,274)
Stormwater system	(240,300)	-	(24,004)	-	(264,304)
Machinery and equipment	(373,797)	-	(55,062)	3,371	(425,488)
Total accumulated depreciation	(6,191,215)	-	(803,429)	9,578	(6,985,066)
Total capital assets being depreciated, net	13,494,864	-	(715,201)	(10,292)	12,769,371
Business-type activities capital assets, net	\$ 13,991,112	\$ -	\$ 215,198	\$ (10,292)	\$ 14,196,018

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
General government	\$ 58,541
Public safety	71,415
Transportation	53,467
Culture	62,220
Community affairs	47,905
Total depreciation expense - governmental activities	<u>\$ 293,548</u>
<u>Business-type Activities:</u>	
Water and wastewater system	\$ 779,425
Stormwater system	24,004
Total depreciation expense - business-type activities	<u>\$ 803,429</u>

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2016:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term liabilities:					
<i>Other liabilities:</i>					
Net pension liability	\$ 580,527	\$ 47,776	\$ -	\$ 628,303	\$ -
Compensated absences	59,884	10,534	-	70,418	-
Total long-term liabilities	<u>\$ 640,411</u>	<u>\$ 58,310</u>	<u>\$ -</u>	698,721	<u>\$ -</u>
Less amounts due in one year				-	
Net long-term liabilities in excess of one year				<u>\$ 698,721</u>	
<u>Business-type Activities:</u>					
Long-term liabilities:					
<i>Revenue bonds payable</i>					
Water and sewer system refunding revenue bond, series 2012	\$ 1,376,845	\$ -	\$ (73,577)	\$ 1,303,268	\$ 75,844
<i>Loans payable</i>					
Florida Department of Environmental Protection loan	1,241,151	-	(92,016)	1,149,135	93,950
USDA, Rural Utilities Service loan	1,119,000	-	(20,000)	1,099,000	21,000
USDA, Rural Utilities Service loan	305,000	-	(305,000)	-	-
Total revenue and loans payable	<u>4,041,996</u>	<u>-</u>	<u>(490,593)</u>	<u>3,551,403</u>	<u>190,794</u>
<i>Other liabilities:</i>					
Compensated absences	23,306	3,284	-	26,590	-
Total long-term liabilities	<u>\$ 4,065,302</u>	<u>\$ 3,284</u>	<u>\$ (490,593)</u>	3,577,993	<u>\$ 190,794</u>
Less amounts due in one year				(190,794)	
Net long-term liabilities in excess of one year				<u>\$ 3,387,199</u>	

Notes to Long-Term Obligations Table

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

Business-Type Activities:

Revenue Bonds Payable:

- The **2012 Series Water and Sewer Refunding Revenue Bond** was issued on August 21, 2012 in the amount of \$1,583,306 (par value) and is secured by the net revenues of the water and wastewater systems and any legally available non-ad valorem revenues of the City. The bond bears interest at 3.06% and payments are due in annual installments, including principal and interest, in the amount of \$115,150 with the final payment due in September 2030. The 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%.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (concluded)

Notes to Long-Term Obligations Table (cont...)

Loans Payable:

- The **State of Florida Department of Environmental Protection Loan** was issued in the amount of \$2,000,000 and 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. The loan bears interest at 2.09% and payments are due in semiannual installments, including principal and interest installments of \$58,739 with the final payment due in June 2027.

- The **United States Department of Agriculture, Rural Utilities Service (RUS) Loans** were issued to fund construction of the wastewater plant (phase I).

The first loan issued in the amount of \$1,275,000 bears interest at 4.75% with payments due in annual installments varying from \$72,563 to the final payment of \$72,278 in September 2043.

The second loan was issued in the amount of \$350,000 and bore interest at 4.63% and was paid off during the fiscal year ended September 30, 2016.

- The **State of Florida Department of Environmental Protection Loan** and the **RUS Loan** are secured by the net revenues of the water and wastewater system. These loans are subordinate to the **2012 Series Water and Sewer Refunding Revenue Bond** which are secured by the same revenue. These loans require the maintenance of sinking and reserve funds at various specified amounts and require a minimum debt service coverage of 115% and 120%, respectively.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

Notes to Long-Term Obligations Table (concluded...)

Maturities: Annual requirements to repay all long-term bonds and notes payable for business-type activities as of September 30, 2016, are as follows:

	Business-type Activities		
Fiscal Year Ending	Principal	Interest	Total
2017	\$ 190,794	\$ 115,035	\$ 305,829
2018	196,107	109,725	305,832
2019	201,533	104,254	305,787
2020	207,075	98,619	305,694
2021	212,738	92,817	305,555
2022-2026	1,157,057	370,812	1,527,869
2027-2031	728,099	214,994	943,093
2032-2036	231,000	135,374	366,374
2037-2041	291,000	74,955	365,955
2042-2046	136,000	9,738	145,738
Total	\$ 3,551,403	\$ 1,326,323	\$ 4,877,726

NOTE 7 – 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 coverage requirements as follows:

Gross revenues (a)	\$ 1,356,597
Less:	
Operating expenses (b)	(638,110)
Net available revenue - Revenue bonds	\$ 718,487
Debt service requirements - Revenue bonds	\$ 208,790
Coverage - Revenue bonds	344%
Net available revenue - Revenue bonds	\$ 718,487
Required net revenues for Revenue bonds	(250,548)
Net available revenue - FDEP	\$ 467,939
Debt service requirements - FDEP	\$ 135,100
Coverage - FDEP	346%

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

(b) Excludes sanitation expenses (\$334,768), stormwater expenses (\$76,070), and water and wastewater depreciation expense (\$779,425).

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 7 – PLEDGED REVENUES (concluded)

The City has pledged various future revenue sources for various debt issues. For the water and sewer system, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issues.

<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 Revenue</u>	<u>% of Revenues to Principal and Interest Paid</u>
Water and wastewater net revenues	9/15/2043	\$ 4,877,726	\$ 326,627	\$ 718,487	219.97%

NOTE 8 – PENSION PLANS

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

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

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

General Employees' Pension Trust Fund

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, 2016, the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	7
Inactive employees entitled to but not receiving benefits	9
Active plan members	20

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

General Employees’ Pension Trust Fund (cont...)

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.

Contributions – The City Council establishes and may amend by ordinance the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. Plan members contribute 1% of pensionable earnings. The City’s actuarially required contribution for the year ended September 30, 2016 was \$27,165. Actual contributions for the year equaled \$33,151, or 122% of the required contribution.

Net Pension Liability – The City’s net pension liability was measured as of September 30, 2016.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2015, that was updated to September 30, 2016 (City’s measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2016
Valuation date	October 1, 2015
Discount rate	7.00% per year (2.92% per year is attributable to long term inflation); this rate was used to discount all future benefit payments.
Salary increases	5.50% per year, plus average earnings are loaded by 2.50% for accumulated leave payments upon termination of employment
Cost of living increases	None is assumed

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

General Employees’ Pension Trust Fund (cont...)

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 IRC 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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Core bonds	16.00%	0.58%
Multi-sector	24.00%	1.08%
U.S. large cap equity	39.00%	6.08%
U.S. small cap equity	11.00%	6.83%
Non-U.S. equity	10.00%	6.83%
Total or weighted arithmetic average	100.00%	4.08%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. This discount rate was based on the expected rate of return on pension plan investments of 4.08% and a 2.92% per year attributable to long term inflation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

General Employees' Pension Trust Fund (cont...)

The components of the net pension liability for the Plan as of September 30, 2016, were as follows:

Total pension liability	\$ 1,125,835
Plan fiduciary net position	<u>(1,363,565)</u>
Net pension liability (asset)	<u>\$ (237,730)</u>
Plan fiduciary net position as a percentage of the total pension liability	121%

Changes in City's Net Pension (Asset) Liability – Changes in the City's net pension (asset) liability for the year ending September 30, 2016 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 831,038	\$ 1,389,126	\$ (558,088)
Changes for the year:			
Service cost	48,978	-	48,978
Interest	59,434	-	59,434
Difference between actual and expected experience	106,809	-	106,809
Change in assumptions	236,289	-	236,289
Contributions - City	-	33,151	(33,151)
Contributions - employee	-	5,521	(5,521)
Net investment income	-	100,567	(100,567)
Benefit payments, including refunds of employee contributions	(156,713)	(156,713)	-
Administrative expense	-	(8,087)	8,087
Net changes	<u>294,797</u>	<u>(25,561)</u>	<u>320,358</u>
Balances at September 30, 2016	<u>\$ 1,125,835</u>	<u>\$ 1,363,565</u>	<u>\$ (237,730)</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 7%, 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 (6%) or 1-percentage-point higher (8%) than the current discount rate:

Current Discount Rate	1% Decrease	Current Rate	1% Increase
7.00%	\$ (90,245)	\$ (237,730)	\$ (361,680)

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

General Employees’ Pension Trust Fund (concluded)

Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan – For the year ended September 30, 2016, the City recognized pension expense of \$63,253. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 97,609	\$ 94,002
Change in assumptions	215,937	-
Net difference between projected and actual earnings on Plan investments	<u>75,857</u>	<u>8,392</u>
Total	<u>\$ 389,403</u>	<u>\$ 102,394</u>

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

<u>Year ending September 30,</u>	<u>Amount</u>
2016	\$ 42,352
2017	42,352
2018	42,354
2019	17,067
2020	19,165
Thereafter	123,719

Payables to Pension Plan – At September 30, 2016, the City reported no payables for outstanding contributions.

Money-weighted Rate of Return – For the year ended September 30, 2016, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts invested for the plan was 7.8%.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

Police Officers’ Pension Trust

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

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, 2016, the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	5
Inactive employees entitled to but not receiving benefits	6
Active plan members	2

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, per the following schedule:

Years of Service	Percent
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	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 until death or 15% to each unmarried child until age 18 (22 if student) with a maximum total to all children of 50% for service connected members. The pre-retirement death benefits for non-service connected members is the same as for service connected except the benefit for spouse or maximum benefit for children is 25% of average final compensation.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

Police Officers’ Pension Trust (cont...)

The minimum death benefit is the actuarial equivalent of Member’s accrued benefit payable to beneficiary for life. The death benefit after retirement is payable in accordance with the optional form of pension selected at time of retirement. The cost - of - living adjustment for retirees is up to 3% per year beginning on the October 1 following normal retirement age.

Contributions – The Police Officers’ Pension Trust Fund receives proceeds from an excise tax on casualty insurance premiums to fund its annual required contribution. While the City no longer has its own police department, some of the City police officers who transferred to the Polk County Sheriff’s Office elected to remain with the City retirement plan. 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 (“PCSO”) 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.

For the year ended September 30, 2016, the excise tax totaled \$21,765 and the contribution from the PCSO totaled \$27,916. Both are treated as on-behalf payments with the proceeds recorded as operating grants and public safety expenses/expenditures in the government-wide and general fund financial statements. Plan members are required to contribute 1% of their salary. The City’s actuarially required contribution for the year ended September 30, 2016 was \$154,869. Actual contributions for the year from the City and Sherriff’s Office equaled \$154,869, or 100% of the required contributions.

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 (City’s measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2015	September 30, 2016
Valuation date	October 1, 2014	October 1, 2015
Inflation	3.00%	2.30%
Salary increases	4.00%	4.00%
Discount rate	7.50%	7.50%
Investment rate of return	7.50%	7.50%

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

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

Police Officers’ Pension Trust (cont...)

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	50.00%	7.68%
International equity	12.50%	7.23%
Emerging markets	2.50%	9.10%
Fixed income	35.00%	2.47%
Total or weighted arithmetic average	<u>100.00%</u>	<u>5.84%</u>

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 contributions will be made at rates equal to the difference between the total actuarially 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.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

Police Officers' Pension Trust (cont...)

Changes in City's Net Pension Liability – Changes in the City's net pension (asset) liability for the year ending September 30, 2016 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2014	\$ 4,144,549	\$ 3,566,793	\$ 577,756
Changes for the year:			
Service cost	20,535	-	20,535
Interest	307,105	-	307,105
Difference between actual and expected experience	(202,226)	-	(202,226)
Contributions - City	-	182,172	(182,172)
Contributions - State	-	22,367	(22,367)
Contributions - employee	-	1,281	(1,281)
Net investment income	-	(111,216)	111,216
Benefit payments, including refunds of employee contributions	(122,614)	(122,614)	-
Administrative expense	-	(19,737)	19,737
Net changes	2,800	(47,747)	50,547
Balances at September 30, 2015	<u>\$ 4,147,349</u>	<u>\$ 3,519,046</u>	<u>\$ 628,303</u>

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate – The following presents the net pension liability of the City as of the measurement date (September 30, 2015), and as of the Plan's financial reporting date (September 30, 2016), calculated using the current discount rate of 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5) than the current discount rate:

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2015	7.50%	\$ 1,167,796	\$ 628,303	\$ 185,627
9/30/2016	7.50%	1,076,507	442,702	(70,102)

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

Police Officers’ Pension Trust (cont...)

Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan – For the year ended September 30, 2016, the City recognized negative pension expense of \$43,305. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Description	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Net difference between projected and actual earnings on Plan investments	324,360
City contributions subsequent to the measurement date	145,823
Total	\$ 470,183

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Remaining amounts reported as deferred inflows and outflows of resources will be recognized in pension expense in the years and amounts shown below.

Year ending September 30,	Amount
2016	\$ 82,713
2017	82,713
2018	82,713
2019	76,221

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PENSION PLANS (cont...)

Police Officers’ Pension Trust (cont...)

Payables to Pension Plan – At September 30, 2016, the City reported \$12,192 payable to the Plan for outstanding contributions.

Money-weighted Rate of Return – For the year ended September 30, 2016, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested for the plan was 9.48%.

Net Pension Liability as of the Plan’s Financial Reporting Date - The components of the net pension liability as of the Plan’s financial reporting date of September 30, 2016, which differs from the City’s measurement date of September 30, 2015, was as follows:

Total pension liability	\$	4,245,683
Plan fiduciary net position		(3,802,981)
Net pension liability (asset)	\$	<u>442,702</u>
 Plan fiduciary net position as a percentage of the total pension liability		 90%

NOTE 9 – OTHER EMPLOYEE BENEFIT 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, 2016 were \$5,327.

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

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The City follows GASB Cod. Sec. P50 for certain post-employment health care and dental benefits provided by the City.

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 or 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 post-employment benefits performed. Since the City is required to co-mingle retirees and active employees in determining health care 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 Obligations – 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 the 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
Interest on net OPEB obligation		-
Adjustment to required contribution		-
Annual OPEB cost		2,000
Actual employer contributions made		-
Interest on employer contributions		-
Total employer contributions		-
Change in net OPEB obligation		2,000
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	\$	2,000

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued...)

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Estimated Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Estimated Net OPEB Obligation</u>
9/30/2010	\$ 2,000	\$ -	0%	\$ 2,000

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	August 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level-dollar payment
Investment return	4.00% per annum
Healthcare cost trend rate(s):	
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 be.

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued...)

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.

NOTE 11 – SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivables, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended September 30, 2016, is presented below:

	Water System	Sewer System	Total Water and Sewer System
Condensed statement of revenue, expenses and changes in net position:			
Operating revenues	\$ 522,575	\$ 830,399	\$ 1,352,974
Operating expenses			
Personnel services	(83,806)	(135,266)	(219,072)
Contract services	(39,694)	(54,505)	(94,199)
Insurance	(15,051)	(22,214)	(37,265)
Materials and supplies	(32,271)	(25,874)	(58,145)
Repair and maintenance	(59,408)	(76,595)	(136,003)
Utilities	(34,736)	(51,040)	(85,776)
Miscellaneous	(7,045)	(605)	(7,650)
Depreciation	(203,649)	(575,776)	(779,425)
Nonoperating revenues / (expenses)			
Interest expense	-	(132,859)	(132,859)
Capacity fees	1,500	3,000	4,500
Grants	919,099	28,547	947,646
Investment revenue	3,623	-	3,623
Loss on disposal of property	(10,294)	-	(10,294)
Change in net position	\$ 960,843	\$ (212,788)	\$ 748,055

Summary information

from statement of net position:

Capital assets, net	\$ 13,614,559
Long-term debt, including current portion	\$ 3,551,403

CITY OF FROSTPROOF, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 12 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the City.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2016, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

The City has contracted with the Polk County Sheriff's Office to provide law enforcement 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 annual amount due on this contract for the year ended September 30, 2017 is \$844,464.

NOTE 14 – RESTATEMENT

For the fiscal year ended September 30, 2015, the City implemented the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. The actuarial reports used for implementation excluded \$61,430 from deferred outflows related to pensions as of September 30, 2015. To correct this error, beginning net position of the governmental activities has been restated by \$61,430.



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City of Frostproof
The Friendly City

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FROSTPROOF, FLORIDA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
for the year ended September 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts (budgetary basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 887,790	\$ 887,790	\$ 902,226	14,436
Franchise and utility taxes	608,800	608,800	639,553	30,753
Licenses and permits	26,000	26,000	35,356	9,356
Intergovernmental revenue	641,640	641,640	642,804	1,164
Charges for services	81,040	81,040	113,474	32,434
Fines and forfeitures	900	900	2,100	1,200
Investment income	10,000	10,000	10,487	487
Other	22,000	22,000	53,029	31,029
Total revenues	<u>2,278,170</u>	<u>2,278,170</u>	<u>2,399,029</u>	<u>120,859</u>
EXPENDITURES				
General government	495,170	510,880	480,308	30,572
Public safety	1,238,670	1,199,215	1,177,931	21,284
Transportation	420,090	419,330	385,542	33,788
Culture	204,490	205,050	193,356	11,694
Community affairs	69,240	73,870	65,322	8,548
Capital outlay	539,850	558,855	522,371	36,484
Total expenditures	<u>2,967,510</u>	<u>2,967,200</u>	<u>2,824,830</u>	<u>111,798</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (689,340)</u>	<u>\$ (689,030)</u>	<u>\$ (425,801)</u>	<u>\$ 263,229</u>

Explanation of differences between budgetary and GAAP basis revenues and expenditures

Sources/inflows of resources

Total revenue from the budgetary comparison schedule	\$ 2,399,029
Differences - budget to GAAP:	
Contributions to the Police Officers' Pension Trust Fund from the Polk County Sheriff's Office are not budgeted as revenue but GAAP requires these contributions to be reported as revenue.	<u>27,916</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,426,945</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the	
Total expenditures from the budgetary comparison schedule	\$ 2,824,830
Differences - budget to GAAP:	
Contributions to the Police Officers' Pension Trust Fund from the Polk County Sheriff's Office are not budgeted as expenditures but GAAP requires these contributions to be reported as expenditures.	<u>\$ 27,916</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,852,746</u>

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND - The annual budget for the general fund is prepared in accordance with the modified accrual basis of accounting with exception of pension contributions by the Polk County Sheriff's Office to the Police Officers' Pension Trust Fund which are not budgeted as a revenue or expenditure as the contributions do not represent a cash flow to the City.

CITY OF FROSTPROOF, FLORIDA
POSTEMPLOYMENT HEALTH BENEFITS OTHER THAN PENSIONS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
8/1/2010	\$ -	\$ 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.

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

	2016	2015
Total pension liability		
Service cost	\$ 48,978	\$ 31,717
Interest	59,434	81,166
Change in assumptions	236,289	-
Difference between expected and actual experience - demographic assumptions	106,809	(114,776)
Benefit payments, including refunds of of employee contributions	(156,713)	(57,251)
Net change in total pension liability	294,797	(59,144)
Total pension liability, beginning	831,038	890,182
Total pension liability, ending (a)	\$ 1,125,835	\$ 831,038
 Plan fiduciary net position		
Contributions - City	\$ 33,151	\$ 32,578
Contributions - Employee	5,521	5,394
Net investment income (loss)	100,567	(2,720)
Benefit payments, including refunds of employee contributions	(156,713)	(52,896)
Administrative expenses	(8,087)	(7,300)
Net change in plan fiduciary net position	(25,561)	(24,944)
Plan fiduciary net position, beginning	1,389,126	1,414,070
Plan fiduciary net position, ending (b)	\$ 1,363,565	\$ 1,389,126
Net pension liability (asset) (a)-(b)	\$ (237,730)	\$ (558,088)
 Plan fiduciary net position as a percentage of total pension liability	121.12%	167.16%
Covered employee payroll	510,322	\$ 509,811
Net pension liability as a percentage of covered employee payroll	Not Applicable	Not Applicable

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 21,940	\$ 20,535	\$ 28,891
Interest	305,548	307,105	292,750
Change in excess State money	(9,046)	-	-
Difference between expected and actual experience - demographic assumptions	47,532	(202,226)	-
Change of assumptions	(95,096)	-	-
Benefit payments, including refunds of employee contributions	(172,544)	(122,614)	(121,165)
Net change in total pension liability	98,334	2,800	200,476
Total pension liability, beginning	4,147,349	4,144,549	3,944,073
Total pension liability, ending (a)	<u>\$ 4,245,683</u>	<u>\$ 4,147,349</u>	<u>\$ 4,144,549</u>
Plan fiduciary net position			
Contributions - City	\$ 124,057	\$ 182,172	\$ 159,813
Contributions - State of Florida	21,765	22,367	24,244
Contributions - Employee	1,262	1,281	3,096
Net investment income (loss)	331,941	(108,445)	233,629
Benefit payments, including refunds of employee contributions	(172,543)	(122,614)	(121,165)
Administrative expenses	(22,547)	(19,737)	(32,810)
Net change in plan fiduciary net position	283,935	(44,976)	266,807
Plan fiduciary net position, beginning	3,519,046	3,564,022	3,297,215
Plan fiduciary net position, ending (b)	<u>\$ 3,802,981</u>	<u>\$ 3,519,046</u>	<u>\$ 3,564,022</u>
Net pension liability (asset) (a)-(b)	<u>\$ 442,702</u>	<u>\$ 628,303</u>	<u>\$ 580,527</u>
Plan fiduciary net position as a percentage of total pension liability	89.57%	84.85%	85.99%
Covered employee payroll	\$ 126,208	\$ 128,143	\$ 173,421
Net pension liability as a percentage of covered employee payroll	350.77%	490.31%	334.75%

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

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, 2016	27,165	33,151	5,986	510,322	6.50%
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	-	550,447	6.36%
September 30, 2012	34,473	34,473	-	Not Available	Not Available
September 30, 2011	34,882	34,882	-	447,774	7.79%
September 30, 2010	31,081	31,081	-	Not Available	Not Available
September 30, 2009	29,721	29,721	-	353,115	8.42%
September 30, 2008	20,185	20,185	-	Not Available	Not Available
September 30, 2007	19,393	19,393	-	Not Available	Not Available

CITY OF FROSTPROOF, FLORIDA
GENERAL EMPLOYEES' PENSION TRUST FUND
NOTES TO SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

Valuation date October 1, 2015

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

Methods and assumptions used to determine contribution amounts:

Discount rate 7.00% per annum (2.92% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments

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

Cost-of-living increases: None assumed

Mortality basis: 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 purposes of Internal Revenue Code section 430; future generational improvements in mortality have not been reflected.

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

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

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

Future contributions: Contributions from the employer and employees are assumed to be made as legally required.

Changes: Since the prior measurement date, the discount rate was decreased from 9.08% per annum to 7.00% per annum.

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

<u>Fiscal year end</u>	(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, 2016	154,869	154,869	-	126,208	122.71%
September 30, 2015	204,539	204,539	-	128,143	159.62%
September 30, 2014	190,052	190,052	-	173,421	109.59%

CITY OF FROSTPROOF, FLORIDA
POLICE OFFICERS' PENSION TRUST FUND
NOTES TO SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

Valuation date October 1, 2014

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

Methods and assumptions used to determine contribution amounts:

Actuarial cost method: Entry age normal actuarial cost method. The following loads are applied:
 Interest - a half year, based on the current 7.5% assumption. Salary - a half
 year, based on the current 4.0% assumption.

Amortization method Level percentage of pay, closed

Remaining amortization period: 23 years as of October 1, 2014.

Salary increases: 4.0% per year up to the assumed retirement age. Also the projected salary at
 retirement is increased 10% to account for non-regular compensation.

Cost-of-living increases: 3.0% per year at retirement

Mortality basis: RP-2000 Combined Healthy Mortality Table, Sex Distinct. Based on a study
 of over 650 public safety funds, this table reflects a 10.00% margin for future
 mortality improvements. Disabled lives are set forward 5 years.

Retirement age: Earlier of age 50 or the completion of 20 years of service. Also, any Member
 who has reached Normal Retirement is assumed to continue employment for
 on additional year.

Early retirement Commencing with the earliest Early Retirement Age (45), Members are
 assumed to retire with an immediate subsidized benefit at the rate of 5% per
 year.

Disability and Termination: See table below. It is assumed that 75% of disablements and active Member
 deaths are service related.

Payroll growth: 0.00%

Changes: The actuarial assumptions did not change from previous measurement date

Termination and disability rate table

Age	% Terminating during the year	% Becoming disabled during the year
20	17.20%	0.03%
30	15.00%	0.04%
40	8.20%	0.07%
50	1.70%	0.18%

CITY OF FROSTPROOF, FLORIDA
GENERAL EMPLOYEES' PENSION TRUST FUND AND
POLICE OFFICERS' PENSION TRUST FUND
SCHEDULE OF INVESTMENT RETURNS
REQUIRED SUPPLEMENTARY INFORMATION

General Employees' Pension Trust Fund:

<u>Fiscal year ended</u>	Annual money-weighted rate of return net of investment expenses
September 30, 2016	7.80%
September 30, 2015	0.60%
September 30, 2014	8.57%
September 30, 2013	12.00%
September 30, 2012	17.81%
September 30, 2011	1.87%
September 30, 2010	9.08%
September 30, 2009	1.45%
September 30, 2008	-12.56%
September 30, 2007	12.11%

Police Officers' Pension Trust Fund:

<u>Fiscal year ended</u>	Annual money-weighted rate of return net of investment expenses
September 30, 2016	9.48%
September 30, 2015	-3.19%
September 30, 2014	6.74%



City of Frostproof
The Friendly City

SUPPLEMENTARY INFORMATION

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, 2016

	City Hall Restoration Expendable Trust Fund	Latt Maxcy Memorial Library Expendable Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,220	\$ 6,011	\$ 8,231
Total assets	<u>\$ 2,220</u>	<u>\$ 6,011</u>	<u>\$ 8,231</u>
LIABILITIES			
Advances from other funds	\$ 6,446	\$ -	\$ 6,446
Total liabilities	<u>6,446</u>	<u>-</u>	<u>6,446</u>
FUND BALANCES			
Restricted for:			
Cultural activities	-	6,011	6,011
Unassigned	<u>(4,226)</u>	<u>-</u>	<u>(4,226)</u>
Total fund balances (deficit)	<u>(4,226)</u>	<u>6,011</u>	<u>1,785</u>
Total liabilities and fund balances	<u>\$ 2,220</u>	<u>\$ 6,011</u>	<u>\$ 8,231</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, 2016

	City Hall Restoration Expendable Trust Fund	Latt Maxcy Memorial Library Expendable Trust Fund	Total
REVENUES:			
Charges for services	\$ 2,928	\$ -	\$ 2,928
Investment income	2	-	2
Other	35	450	485
Total revenues	<u>2,965</u>	<u>450</u>	<u>3,415</u>
EXPENDITURES:			
Current:			
Culture / Recreation	1,014	578	1,592
Capital outlay	-	-	-
Total expenditures	<u>1,014</u>	<u>578</u>	<u>1,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,951</u>	<u>(128)</u>	<u>1,823</u>
NET CHANGE IN FUND BALANCE	1,951	(128)	1,823
FUND BALANCE, beginning of year	<u>(6,177)</u>	<u>6,139</u>	<u>(38)</u>
FUND BALANCE, end of year	<u><u>\$ (4,226)</u></u>	<u><u>\$ 6,011</u></u>	<u><u>\$ 1,785</u></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, 2016

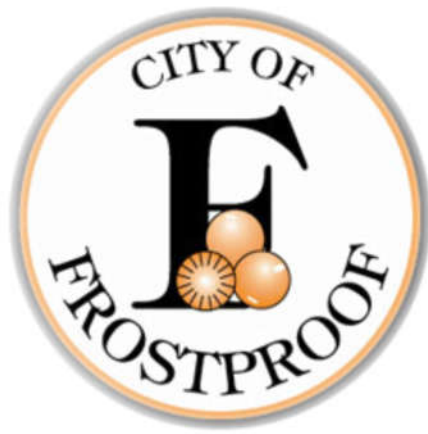
	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Investments	\$ 1,363,565	\$ 3,759,078	\$ 5,122,643
Receivables:			
Due from other governments	-	12,192	12,192
Due from broker	-	826	826
Accrued interest and dividends	-	14,071	14,071
Prepaid items	-	19,916	19,916
Total assets	<u>1,363,565</u>	<u>3,806,083</u>	<u>5,169,648</u>
LIABILITIES			
Accounts payable:			
Due to broker	-	3,102	3,102
Total liabilities	<u>-</u>	<u>3,102</u>	<u>3,102</u>
NET POSITION			
Restricted for pension benefits	<u>1,363,565</u>	<u>3,802,981</u>	<u>5,166,546</u>

CITY OF FROSTPROOF, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

For the year ended September 30, 2016

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
ADDITIONS			
Contributions:			
Employer:			
City	\$ 33,151	\$ 96,142	\$ 129,293
Other	-	27,915	27,915
Employee	5,521	1,262	6,783
On-behalf payments - State of Florida	-	21,765	21,765
Total contributions	<u>38,672</u>	<u>147,084</u>	<u>185,756</u>
Investment earnings:			
Interest	-	24,598	24,598
Dividends	-	48,463	48,463
Net increase in the fair value of investments	103,295	282,435	385,730
Total investment earnings	<u>103,295</u>	<u>355,496</u>	<u>458,791</u>
Less investment expense	2,728	23,555	26,283
Net investment earnings	<u>100,567</u>	<u>331,941</u>	<u>432,508</u>
Total additions	<u>139,239</u>	<u>479,025</u>	<u>618,264</u>
DEDUCTIONS			
Benefits	51,462	147,898	199,360
Refund of contributions	105,251	24,645	129,896
Administrative expenses	8,087	22,547	30,634
Total deductions	<u>164,800</u>	<u>195,090</u>	<u>359,890</u>
CHANGE IN NET POSITION	(25,561)	283,935	258,374
NET POSITION, beginning of year	1,389,126	3,519,046	4,908,172
NET POSITION, end of year	<u>\$ 1,363,565</u>	<u>\$ 3,802,981</u>	<u>\$ 5,166,546</u>



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City of Frostproof
The Friendly City

SINGLE AUDIT SECTION

CITY OF FROSTPROOF, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2016

<u>State Agency/Pass-through Entity/State Project</u>	<u>CSFA#</u>	<u>Contract/Grant Identification</u>	<u>Total Expenditures</u>
State of Florida Department of Environmental Protection			
Direct program:			
Statewide Surface Water Restoration and Wastewater Projects	37.08	LP53103	\$ 907,319
Small Community Wastewater Facility Grant	37.08	SG531020	28,546
Total Florida Department of Environmental Protection			<u>935,865</u>
State of Florida Department of Economic Opportunity			
Direct program:			
Growth Management Implementation Technical Assistance	40.02	P00162	25,000
Total Expenditures of State Financial Assistance			<u>\$ 960,865</u>

Notes to Schedule of Expenditures of State Financial Assistance

Note 1 – General: The above Schedule of Expenditures of State Financial Assistance represents the state-initiated grant activity of the City of Frostproof, Florida (the “City”), recorded by the City during the fiscal year ended September 30, 2016 and, accordingly, does not include a full year’s financial activity for grants awarded or terminated on dates not coinciding with the City’s fiscal year.

Note 2 – Summary of Significant Accounting Policies:

Basis of Presentation – The information in this schedule is presented in accordance with the requirements of Chapter 69I-5, *Schedule of Expenditures of State Financial Assistance*, Rules of the Department of Financial Services; and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the City.

Basis of Accounting – The expenditures in the above Schedule of State Financial Assistance are presented using the modified accrual basis of accounting, except for the proprietary funds, which are presented on the accrual basis. The modified accrual basis recognizes expenditures in the period the associated liability is incurred, if measurable, while under the accrual basis, expenditures are recognized when incurred.

Note 3 – Contingencies:

Grant monies received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed; however, the possible disallowance by the governmental agency of any item charged to a program cannot be determined at this time.



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

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

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

Report on Compliance for Each Major State Project

We have audited the City of Frostproof, Florida (the "City") with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the City of Frostproof, Florida's major state projects for the year ended September 30, 2016. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

June 26, 2017
Winter Haven, Florida

City of Frostproof, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE PROJECTS
For the Year Ended September 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements Section:

- | | |
|---|-------------|
| 1. The type of auditors' report issued on the financial statements | Unqualified |
| 2. Deficiencies noted in the internal control over financial reporting: | |
| Significant deficiencies not considered to be material weaknesses | None |
| Material weaknesses | None |
| 3. Noncompliance material to the financial statements | None |

State Projects Section:

- | | |
|--|-------------|
| 4. Deficiencies noted in the internal control over compliance for major projects: | |
| Significant deficiencies not considered to be material weaknesses | None |
| Material weaknesses | None |
| 5. The type of auditors' report issued on compliance for major state projects | Unqualified |
| 6. Audit findings that are required to be reported in accordance with Section 10.557(7)(b), Rules of the Auditor General | None |
| 7. Programs tested as major programs: | |
| CSFA #37.039 – Statewide Surface Water Restoration and Wastewater Projects
Passed through State Revolving Fund Division of Water Resource Assistance
Department of Environmental Protection Agency | |
| 8. The threshold used for distinguishing between Type A and B programs | \$300,000 |

B. FINANCIAL STATEMENTS FINDINGS

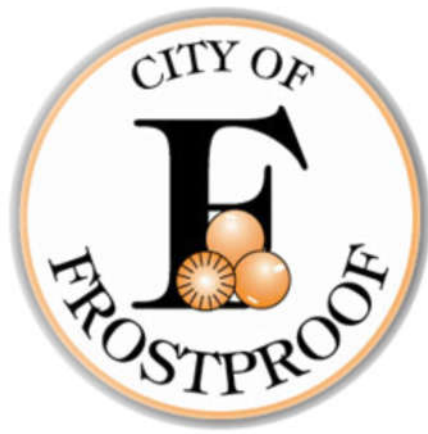
No findings reported

C. FINDINGS AND QUESTIONED COSTS-MAJOR STATE PROJECTS

No findings reported

D. OTHER ISSUES

9. No Summary Schedule of Prior Audit Findings is required because a Florida Single Audit was not required in the prior year
10. No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act



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City of Frostproof
The Friendly City

OTHER REPORTS



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 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 June 26, 2017.

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, Buelby, Reineke & Company, P.A.

June 26, 2017
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 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, 2016, 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, 2016.

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.

June 26, 2017
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, 2016, and have issued our report thereon dated June 26, 2017.

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*, independent Auditors' Report on Compliance for Each Major State Project and on Internal Control over Compliance, Schedule of Findings and Questioned Costs; 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 June 26, 2017, 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.

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.

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, 2016.

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, 2016 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, 2016. 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 Current 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 did not have any such findings.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding 16-01 – Controls Over The Monthly Close Process

Criteria: All significant accounts, subledgers and supporting schedules, are reconciled to the general ledger on a monthly basis. Evidence of this process is reviewed for accuracy.

Condition: Monthly close process is not adequately detecting errors. Reconciliations do not consistently agree with the general ledger, supporting schedules or bank statements.

Effect: The City's monthly close controls are not working as effectively as designed.

Cause: Failure of the review control to detect errors in monthly reconciliations.

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

Recommendation: We recommend that management modify the review over controls for the monthly close process to include the original supporting schedules to the general ledger and other reconciling documents.

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, Buelby, Reineke & Company, P.A.

June 26, 2017
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

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding 16-01 - Controls Over the Monthly Close Process

Comments on Findings: The City agrees.

Actions Taken or Planned: The City will work to implement a more thorough monthly close process.

Sincerely,

Melody Sauerhafer
Finance Manager

June 26, 2017
Frostproof, Florida