# City of Zephyrhills, Florida

## General Purpose
## Financial Statements
## For the Year Ended
## September 30, 2021

# City of Zephyrhills, Florida

## Officials

## September 30, 2021

### Elected Officials

| | |
|---|---|
| Gene Whitfield | Mayor |
| W. Alan Knight | President - City Council |
| Jodi Wilkeson | Vice President - Council Member |
| Charles E. Proctor | Council Member |
| Kenneth M. Burgess, Jr. | Council Member |
| Lance A. Smith | Council Member |

### Appointed Officials

| | |
|---|---|
| William C. Poe Jr. | City Manager |
| Matthew Maggard | City Attorney |

# Table of Contents


**Table of Contents** ..... i-ii

**Independent Auditors' Report** ..... A1-A2

**Management's Discussion and Analysis** ..... M1-M13

**Basic Financial Statements**

Statement of Net Position ..... 1-2

Statement of Activities ..... 3

**Governmental Fund Financial Statements**

Balance Sheet ..... 4

Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds ..... 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds ..... 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 7

**Proprietary Fund Financial Statements**

Statement of Net Position – Proprietary Funds ..... 8-9

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds ..... 10

Statement of Cash Flows – Proprietary Funds ..... 11-12

**Notes to the Financial Statements** ..... 13-43

# Table of Contents (continued)


**Required Supplementary Information**

General Fund ..... 44-50

Special Revenue Fund ..... 51

CRA Fund ..... 52

Impact Fee Fund ..... 53

Schedule of Proportionate Share of the Net Pension Liability ..... 54

Schedule of Contributions ..... 55

Schedule of OPEB Liability ..... 56

**Other Supplementary Schedules (not required)**

Schedule of Operating Income (Loss) – Utility Fund ..... 57-59

Schedule of Operating Income (Loss) – Sanitation Fund ..... 60

Schedule of Operating Income (Loss) – Airport Fund ..... 61

**Additional Elements of Report Prepared in Accordance with *Government Auditing Standards*, Issued by The Comptroller General of The United States; and the *Rules of The Auditor General* of The State of Florida**

Schedule of Federal and State Financial Assistance ..... 62-63

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* ..... 64-65

Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance and Rules of the Auditor General ..... 66-67

Schedule of Findings and Questioned Costs ..... 68-69

Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes ..... 70

Management Letter ..... 71-72

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# Independent Auditors' Report

April 30, 2022

Honorable Mayor, City Council,
and City Manager
City of Zephyrhills, FL 33542

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 City of Zephyrhills, Florida (the City) as of and for the year ended September 30, 2021, 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 the 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 representation 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 the financial audits contained in *Government Audit 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' judgement, 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, 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 on pages M1 through M14 and required supplementary information on pages 44 through 56 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 accompanying schedule of expenditures of federal awards and state financial assistance, as required by U.S. Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations,* and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2022, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bodine Perry

Bodine Perry PLLC
Zephyrhills, FL

# Management's Discussion and Analysis (MD&A)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Zephyrhills (the City) management discussion and analysis is designed to provide an objective and easy-to-read analysis of the City's financial activities for the year ended September 30, 2021. As with other sections of this financial report, the information contained within this narrative should be considered only as part of a greater whole. The reader should take time to read and evaluate all sections of this report, including the government-wide financial statements on page 1-3, fund financial statements on pages 4-12, footnotes on pages 13-43, and other Required Supplemental Information beginning on pages 44-72.

Efforts were made to include relative comparative prior year figures where amounts were known.

## HIGHLIGHTS

### Financial Highlights

- The City's total assets exceeded its total liabilities at the close of the most recent fiscal year by $98,530,897.
- The City's total net position increased by $15,107,007 (or 18.11%). The City's governmental net position increased by $10,038,262 (or 71.33%), mainly as a result of the $4,000,000 advanced funding for American Rescue Plan Act and decrease net pension liability. The business-type net position increased by $5,068,747 (or 7.31%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $23,019,815, an increase of $7,475,940 in comparison with the prior year. Approximately 12% or $2,680,226 of this total is unrestricted and *available for spending* at the City's discretion based on the parameters of the fund.
- General Fund revenues increased by $846,094 (or 6.1%). General Fund expenditures, exclusive of capital expenditures, decreased by $329,454 (or 2.3%). The Net Change in General Fund Balance was an increase of $857,278.
- At the end of the current fiscal year, fund balance for the General Fund was $6,967,964 or 50.1% of total General Fund operating expenditures excluding capital outlay and debt service.
- The business-type activities (the City's Proprietary Funds) operating revenues increased by $1,817,753 (or 14.2%); operating expenses increased by $596,339 (or 4.7%); operating income/loss went from an operating income of $52,892 in FY 2020 to operating income of $1,274,306 in FY 2021. The change in net position for the Proprietary Funds was an increase of $5,068,747 in FY 2021.
- The City's total long-term debt excluding other liabilities (namely compensated absences, Other Post-Employment Benefits OPEB) increased by $1,884,096. The City's total long-term debt for governmental activities decreased by $440,695 and the total long-term debt for business-type activities increased by $2,324,791.

### City Highlights

City administration took a conservative approach to balancing the fiscal year 2021 budget. The City's gross taxable property value increased for the seventh consecutive year. Ad valorem taxes increased by $490,400 to $5,423,193 using the millage rate of 6.3500, an increase of 5.34% over the Rolled-Back Rate of 6.0279.

Large projects include the following:

**Utility** – Continuing construction of the Advanced Wastewater Treatment Plant, $5,347,418; New construction on the Reclaimed Water Line Extension, $101,585, as well as the rehabilitation of lift stations 24, 32 and 71

**City Government** – Continued construction on the Sarah Vande Berg Tennis Center, $3,695,185, Simons Road, $905,611. Completed construction on the Z Event Center Upgrade, $126,267. Construction started on the US 301 and Pretty Pond Intersection Project, $44,514 and the Carriage House Renovation, $47,379.

**Airport** – Continuing construction on the rehabilitation of Runway 1-19, $991,001, New Construction of the Fuel Farm, $159,780; Continuing construction of the Rotating Beacon Upgrade, $177,695 and new construction of Taxiway A Rehabilitation, 262,204.

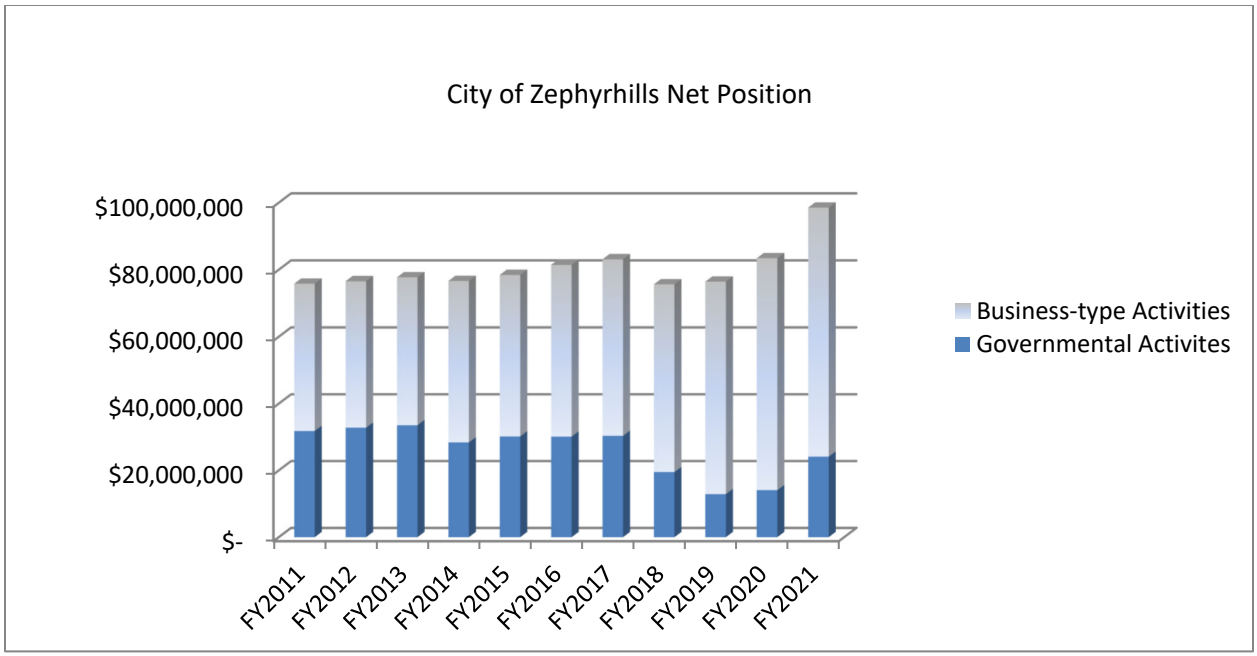
## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business, in that all governmental and business-type activities are consolidated into columns which add up to a total for the primary government.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Below is a chart showing eleven years of net asset history.



The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities reflect the City's basic services, including general government, police, fire, protective inspections, public works, community development and recreation. Property taxes, franchise fees, utility taxes, communication services taxes, gas taxes and sales taxes, along with contributions from the City's utilities, finance the majority of these services. The business-type activities reflect private sector-type operations, including water, wastewater, sanitation and airport, where the fee for service typically covers all or most of the cost of operation, including depreciation.

The government-wide financial statements can be found on pages 1-3 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Zephyrhills, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 basic governmental fund financial statements can be found on pages 4-7 of this report.

Because the focus of governmental fund financial statements 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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Special Revenue Fund (Gas Taxes and Discretionary Sales Tax), the CRA Fund, and the Impact Fee Fund.

The City adopts an annual appropriated budget for all of its various funds. A budgetary comparison **statement has been provided** for the major governmental funds on pages 44-53.

Proprietary Funds:

The City of Zephyrhills maintains three proprietary funds – each an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility (water/waste water) operations, for its Sanitation (i.e. solid waste collection) operation and for its Airport operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for utility, sanitation and airport funds, all of which are considered to be major City funds.

The basic proprietary fund financial statements can be found on pages 8-12.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-43 of this report.

## GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $95,530,897 at the close of the fiscal year ending September 30, 2021.

The largest portion of the City's net position is its investment in capital assets (e.g.: land, buildings, improvements other than buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

The following table reflects the condensed Statement of Net Assets compared to the prior fiscal year.

| Statement of Net Position at SEPTEMBER 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current Assets | 25,888,106 | 18,038,912 | 19,077,339 | 16,035,700 | 44,965,445 | 34,074,612 |
| Non-current Assets and Deferred Outflows | 40,629,402 | 41,550,526 | 76,936,772 | 71,919,162 | 117,566,174 | 113,469,688 |
| Total Assets and Deferred Outflows | 66,517,508 | 59,589,438 | 96,014,111 | 87,954,862 | 162,531,619 | 147,544,300 |
| Current Liabilities | 3,319,315 | 2,925,637 | 5,120,527 | 4,298,600 | 8,439,842 | 7,224,237 |
| Non-current Liabilities and Deferred Inflows | 39,086,741 | 42,590,611 | 16,474,139 | 14,305,562 | 55,560,880 | 56,896,173 |
| Total Liabilities | 42,406,056 | 45,516,248 | 21,594,666 | 18,604,162 | 64,000,722 | 64,120,410 |
| Net Position: | | | | | | |
| Invested in capital assets, net of related debt | 7,905,634 | 29,582,348 | 61,396,148 | 58,413,811 | 69,301,782 | 87,996,159 |
| Restricted-Debt Svc, R/R, Extension | 16,057,106 | 9,474,640 | 5,057,504 | 3,732,125 | 21,114,610 | 13,206,765 |
| Unrestricted | 148,712 | (24,983,798) | 7,965,793 | 7,204,764 | 8,114,505 | (17,779,034) |
| Total Net Position | 24,111,452 | 14,073,190 | 74,419,445 | 69,350,700 | 98,530,897 | 83,423,890 |

At the end of the current fiscal year, the City of Zephyrhills is able to report positive balances for both city-wide and business-type all categories of net position. The governmental unrestricted net position was a positive $148,712, which improved substantially as pension liabilities decreased. For more detailed information, see the Statement of Net Position (pages 1 and 2).

## Changes in Net Position

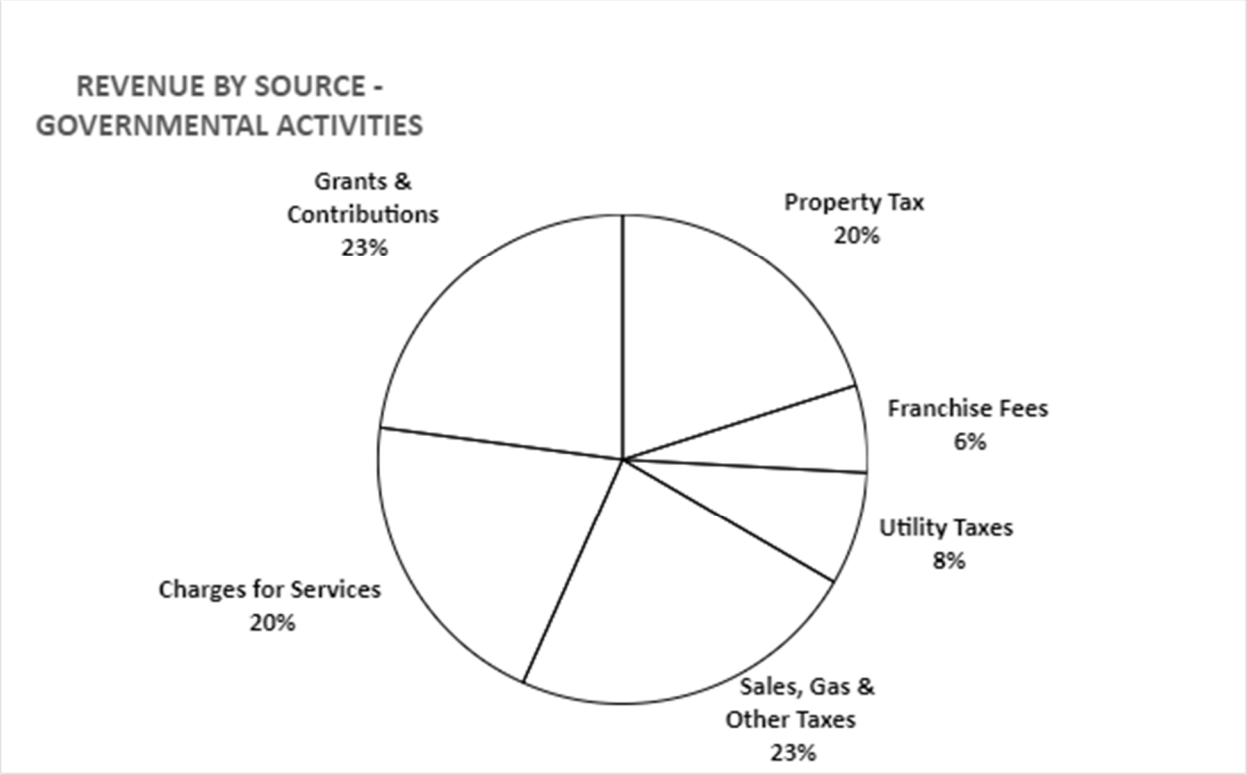
The table on the following page compares the revenues and expenses for the current and previous fiscal year. As the increased estimate of retiree health is allocated across the governmental departments, the City's Governmental activity net position increased $10,038,262 and business-type activity net position increased $5,068,747 as discussed below.

| | Governmental Activities | | Business-type Activities | | Total Government | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | 5,506,784 | 4,624,005 | 15,943,320 | 13,770,721 | 21,450,104 | 18,394,726 |
| Operating Grants & Contributions | - | - | - | - | - | - |
| Capital Grants & Contributions | 6,180,390 | 2,003,591 | 2,588,196 | 4,988,756 | 8,768,586 | 6,992,347 |
| General Revenues: | | | | | | |
| Property Taxes | 5,423,193 | 4,932,793 | - | - | 5,423,193 | 4,932,793 |
| Franchise Fees | 1,550,469 | 1,633,750 | - | - | 1,550,469 | 1,633,750 |
| Utility Taxes | 2,031,087 | 2,110,983 | - | - | 2,031,087 | 2,110,983 |
| Sales, Gas & Other Taxes | 6,282,895 | 5,767,349 | - | - | 6,282,895 | 5,767,349 |
| Investment Income | 37,395 | 81,460 | 14,374 | 65,955 | 51,769 | 147,415 |
| Other General Revenues | 45,517 | 46,058 | 121,311 | 24,222 | 166,828 | 70,280 |
| Total Revenues | 27,057,730 | 21,199,989 | 18,667,201 | 18,849,654 | 45,724,931 | 40,049,643 |
| EXPENSES | | | | | | |
| Program Activities | | | | | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | 4,210,284 | 3,852,522 | - | - | 4,210,284 | 3,852,522 |
| Public Safety | 6,641,649 | 12,080,559 | - | - | 6,641,649 | 12,080,559 |
| Protective Inspections | 701,779 | 501,782 | - | - | 701,779 | 501,782 |
| Public Works | 3,494,199 | 2,843,853 | - | - | 3,494,199 | 2,843,853 |
| Culture/Recreation | 413,429 | 374,629 | - | - | 413,429 | 374,629 |
| Economic Environment | 1,408,396 | 213,361 | | | 1,408,396 | 213,361 |
| Interest Cost | 149,732 | 159,969 | - | - | 149,732 | 159,969 |
| Business-type Activities: | | | | | | |
| Utility | - | - | 9,694,516 | 9,050,714 | 9,694,516 | 9,050,714 |
| Sanitation | - | - | 1,816,161 | 1,975,399 | 1,816,161 | 1,975,399 |
| Airport | - | - | 2,087,777 | 2,010,630 | 2,087,777 | 2,010,630 |
| Total Expenses | 17,019,468 | 20,026,675 | 13,598,454 | 13,036,743 | 30,617,922 | 33,063,418 |
| Incr/Decr in Net position before Transfers | 10,038,262 | 1,173,314 | 5,068,747 | 5,812,911 | 15,107,009 | 6,986,225 |
| Transfers | - | - | - | - | - | - |
| Increase in Net position | 10,038,262 | 1,173,314 | 5,068,747 | 5,812,911 | 15,107,009 | 6,986,225 |
| Net Position prior year | 14,073,190 | 12,899,876 | 69,350,698 | 63,537,787 | 83,423,888 | 76,437,663 |
| Net Position at year end | 24,111,452 | 14,073,190 | 74,419,445 | 69,350,698 | 98,530,897 | 83,423,888 |

## Governmental activities

Table 2 above compares the revenues and expenses for the two activity types for the current and prior fiscal years. Net position for governmental activities increased by $10,038,262, because of the $4,000,000 advanced funding for American Rescue Plan Act and developer contributions for streets and stormwater infrastructure for Links of Calusa Springs subdivision.

As illustrated in the following chart, 57% of governmental activity revenue comes from property taxes, utility taxes, sales and other taxes.




## Business-type activities

Table 2 on the previous page compares the revenues and expenses for the two activity types for the current and prior fiscal years. Combined net position for all business-type activities increased $5,068,747 – an increase in the Utility Fund of $3,864,736, an increase in the Sanitation Fund of $5,350 and an increase in the Airport Fund of $1,198,659. Key elements of these changes were:

- Fiscal year 2021 Utility revenue included rate increase due to a rate study completed in 2012.
- Airport continues to receive multi-million grant awards.

Normal Impacts

There are nine basic impacts on revenues and expenses as reflected below.

Revenues

**Economic Condition –** The economic conditions can reflect a declining, stable or growing economic environment and have a substantial impact on property, sales, gas and other tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

**Increase/Decrease in Council approved rates** – While certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (water, sewer, sanitation, permitting, and impact fees).

**Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)** – Certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on a year-to-year basis.

**Contribution from Utility, Sanitation and Airport Funds** – The City owns and operates the Water and Wastewater services, Sanitation services and municipal Airport and provides administrative and support services for these Proprietary Funds. In return, the City receives payment from them. Therefore, the ongoing competitiveness and vitality of these funds are important to the City.

**Market Impacts on Investment Income** – Due to varying maturities on the City's investments and the varying nature of the market in general, the City investment income may fluctuate from year to year.

Expenses

**Introduction of New Programs –** Within the functional expense categories (General Government, Police, Fire, Public Works, Parks, etc.) individual programs may be added or deleted to meet changing community needs.

**Increase in Authorized Personnel** – Changes in service demand may cause the Council to increase/decrease authorized staffing.

**Salary Increases (cost of living and market adjustment)** – The ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

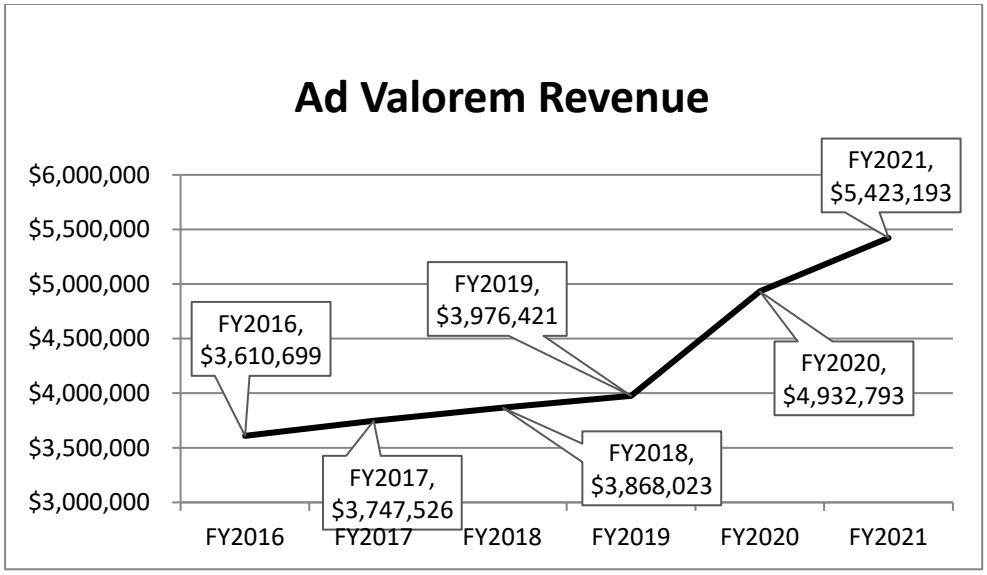
**Inflation** – While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity specific increases.

## Current Year Impacts

### Revenues:

### Economic Condition

The City's ad valorem revenue has increased for the sixth straight year. Ad valorem taxes increased $490,400, 12.33% more than collected in fiscal year 2020. Franchise fees, utility taxes, local option sales tax revenue increased significantly and remains the single best source of governmental capital improvements; and state shared revenues slightly increased, although there is concern that they could decline in the future.




As in previous years, the City received additional grant revenue (from the federal and state governments) in fiscal year 2021.

### Expenses:

Operating costs increased by 5.72% in the Governmental Funds, the Utility Fund expenditures increased by 7.74%. Operating costs increased by 3.84% in the Airport Fund and decreased by 8.1% in the Sanitation Fund as net pension liability decreased. Detailed reports on operating revenues and expenditures in the governmental funds and enterprise funds are reported elsewhere in this report.

## Governmental Funds

As of the year end, the governmental funds (as presented on the balance sheet on page 4) reported a combined fund balance of $23,019,815 which is 48.1% more than the prior year combined fund balance of $15,543,875. $2,680,226 constitutes an undesignated/ unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted, committed, or assigned to indicate that it is not available for new spending. Major reservations and designations include local option sales tax revenue, impact fees, community redevelopment, gas tax revenue, and cemetery perpetual care reserves.

## Business-Type Funds

In total, the *Proprietary Funds,* (which include the City's *Utility, Sanitation and Airport Fund),* show net gain before capital contributions and transfers. The year-end net position is $74,419,445 which is $5,068,747 higher than the beginning of year net position. Each of these *Proprietary Funds* is to be viewed and analyzed as a separate and distinct business, thus the following commentary focuses first on the *Utility Fund,* then on the *Sanitation Fund* and finally on the *Airport Fund.*

- The *Utility Fund* has an operating income of $1,670,970 and, after non-operating revenues and expenses and capital contributions, an increase in net position of $3,864,736. Operating revenues increased by 15.15%. Operating expenses increased 7.74% because of the workers' compensation being charged to their respected funds.

- The *Sanitation Fund* has an operating income of $2,853 and, after non-operating revenues and expenses and capital contributions, an increase in net position of $5,350. Operating revenues increased 8.13% from the previous year and operating expenses decreased 8.1%.

- Although the *Airport Fund* has an operating loss of $399,517 after non-operating revenues and expenses. Most of this loss was the result of depreciation increases due to prior and current year capital asset additions, funded mostly by Federal and State grants. Operating revenues increased by 14.98% and operating expenses increased by 3.84%.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

As of year-end, the City had $114.49 million invested in a variety of capital assets, as reflected in the following table, which represents an increase (additions less retirements and depreciation) of $7.26 million (or 6.77%) from the previous year balances.

| Capital Assets at Year-End (expressed in millions) | | | | | | |
|---|---|---|---|---|---|---|
| (Net of Depreciation) | | | | | | |
| | Government | | Business-type | | Total | |
| | Activities | | Activities | | Government | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | 3.89 | 3.89 | 2.88 | 2.88 | 6.77 | 6.77 |
| Buildings and Improvements | 22.27 | 17.32 | 32.08 | 30.74 | 54.35 | 48.06 |
| Improvements other than Buildings | 6.85 | 5.10 | 0.00 | 0.00 | 6.85 | 5.10 |
| Equipment | 9.50 | 9.00 | 8.05 | 7.34 | 17.55 | 16.34 |
| Infrastructure | 22.19 | 18.40 | 84.15 | 75.00 | 106.34 | 93.40 |
| Less: Accumulated Depreciation | -26.89 | -25.67 | -53.39 | -49.07 | -80.28 | -74.74 |
| Subtotal | 37.81 | 28.04 | 73.77 | 66.89 | 111.58 | 94.93 |
| Construction in Progress | 0.34 | 8.16 | 2.57 | 4.14 | 2.91 | 12.30 |
| Total | 38.15 | 36.20 | 76.34 | 71.03 | 114.49 | 107.23 |

The following table presents a summary of the change in Capital Assets, which is presented in detail on pages 24 and 25 of the notes.

| Change in Capital Assets | | | |
|---|---|---|---|
| (Expressed in millions) | | | |
| | Governmental | Business-type | Primary |
| | Activities | Activities | Government |
| Net Capital Assets, beginning balance | 36.19 | 71.03 | 107.22 |
| | | | |
| Additions/Transfers In | 12.44 | 12.00 | 24.44 |
| Retirements/Transfers Out | (9.26) | (2.37) | (11.63) |
| Change in Depreciation | (1.22) | (4.32) | (5.54) |
| | | | |
| Net Capital Assets, ending balance | 38.15 | 76.34 | 114.49 |

## Debt Outstanding

As of year-end, the City had $21,107,937 million in debt (notes, capital leases payable, etc. excluding compensated absences and Other Post-Employment Benefits - OPEB obligations) outstanding compared to $19,223,841 million last year, a 9.8% increase.

Detailed information regarding the City's long term debt obligation can be found in Note 5, pages 26 through 29 of this report.

| Outstanding Debt, at Year End | | |
|---|---|---|
| excluding other liabilities (compensated absences, OPEB, impact fee rebate) | | |
| | Totals | |
| | 2021 | 2020 |
| **Governmental:** | | |
| Capital improvement notes | $ 6,167,556 | $ 6,608,251 |
| Sub-total | 6,167,556 | 6,608,251 |
| **Business type:** | | |
| Bonds payable - BB&T Series Equipment Finance Lease | 3,475,834 | 4,126,524 |
| Capital improvement notes | 11,464,547 | 8,489,066 |
| Sub-total | 14,940,381 | 12,615,590 |
| | | |
| **Total** | $ 21,107,937 | $ 19,223,841 |

## ECONOMIC FACTORS

The State of Florida, by constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of allowable other taxes (sales, gasoline, utility services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and nonrecurring (one-time) grants from both the state and federal governments.

For the business-type and certain governmental activities (permitting, etc.) the user pays a related fee or charge associated with the service.

The level of taxes, fees and charges for services (including development related impact fees) will have a bearing on the City's specific competitive ability to (a) annex additional land into its corporate limits and (b) encourage development (office, retail, residential, industrial) to choose to be located in their jurisdiction.

The City places significant emphasis on encouraging economic development (particularly in the downtown redevelopment area) and maintaining property values through rigorous code enforcement.

## FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report or need additional financial information, contact the City's Finance Department at City Hall, 5335 8th Street, Zephyrhills, FL 33542, telephone (813) 780-0000.

# City of Zephyrhills, Florida

Statement of Net Position
For the Year Ended September 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and Pooled Cash, Cash Equivalents, and Investments | $ 23,743,449 | $ 10,344,765 | $ 34,088,214 |
| Restricted Assets: | | | |
| Cash and Pooled Cash, Cash Equivalents, and Investments | | | |
| Utility Connection Impact Fees | - | 5,057,504 | 5,057,504 |
| Utility Deposits | - | 1,518,466 | 1,518,466 |
| Debt Sinking Fund | - | - | - |
| Renewal and Replacement | - | - | - |
| Funds for Construction | - | - | - |
| Water Reuse Reserve Fund | - | - | - |
| Accrued Income Investments | - | - | - |
| Receivables (Net of Allowance): | | | |
| Accounts - billed and unbilled | 347,239 | 1,416,941 | 1,764,180 |
| Due from Other Governments | 1,761,684 | 341,124 | 2,102,808 |
| Due from Other Funds | - | - | - |
| Internal Balances | - | - | - |
| Inventories | 34,934 | 387,095 | 422,029 |
| Prepaid Items | 800 | 11,444 | 12,244 |
| Total Current Assets | 25,888,106 | 19,077,339 | 44,965,445 |
| **Non-Current Assets:** | | | |
| Land and Improvements | 3,888,325 | 2,875,160 | 6,763,485 |
| Building and Improvements | 22,266,299 | 32,076,598 | 54,342,897 |
| Improvements - Other than Building | 6,854,628 | - | 6,854,628 |
| Equipment | 9,501,267 | 8,054,181 | 17,555,448 |
| Infrastructure | 22,193,946 | 84,149,719 | 106,343,665 |
| Construction in Process | 338,253 | 2,571,545 | 2,909,798 |
| Accumulated Depreciation | (26,894,514) | (53,390,674) | (80,285,188) |
| **Total Non-Current Assets** | 38,148,204 | 76,336,529 | 114,484,733 |
| Deferred Outflows of Resources | 2,481,198 | 600,243 | 3,081,441 |
| **Total Assets and Deferred Outflows of Resources** | $ 66,517,508 | $ 96,014,111 | $ 162,531,619 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Net Position (continued)
For the Year Ended September 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts Payable | $ 2,417,949 | $ 1,367,697 | $ 3,785,646 |
| Customer Deposits | - | 1,573,795 | 1,573,795 |
| Due to Other Governments | | | |
| Accrued Interest Payable | - | 34,746 | 34,746 |
| Current Portion of: | | | |
| Revenue Bonds and Notes Payable | 451,024 | 1,986,178 | 2,437,202 |
| Capital Improvement Debt Payable | - | - | - |
| Compensated Absences | 450,342 | 158,111 | 608,453 |
| Capital Leases Payable | - | - | - |
| Other | - | - | - |
| Total Current Liabilities | 3,319,315 | 5,120,527 | 8,439,842 |
| **Non-Current Liabilities** | | | |
| Net Pension Liability | 3,814,760 | 1,126,509 | 4,941,269 |
| Revenue Bonds and Notes Payable | 5,716,532 | 12,954,203 | 18,670,735 |
| Capital Improvement Debt Payable | - | - | - |
| Capital Leases Payable | - | - | - |
| Compensated Absences | 766,798 | 450,437 | 1,217,235 |
| Net OPEB Liability (See note 8) | 20,201,060 | - | 20,201,060 |
| Total Non-Current Liabilities | 30,499,150 | 14,531,149 | 45,030,299 |
| Total Liabilities | 33,818,465 | 19,651,676 | 53,470,141 |
| Deferred Inflows of Resources | 8,587,591 | 1,942,990 | 10,530,581 |
| Total Liabilities and Deferred Inflows of Resources | 42,406,056 | 21,594,666 | 64,000,722 |
| **Net Position** | | | |
| Investment in Capital Assets, Net of Related Debt | 7,905,634 | 61,396,148 | 69,301,782 |
| Restricted | | | |
| Infrastructure | 10,353,667 | - | 10,353,667 |
| Impact Fees | 5,299,188 | - | 5,299,188 |
| Other | 404,251 | - | 404,251 |
| Extensions - UF | - | 5,057,504 | 5,057,504 |
| Unrestricted | 148,712 | 7,965,793 | 8,114,505 |
| Total Net Position | 24,111,452 | 74,419,445 | 98,530,897 |
| **Total Liabilities and Net Position** | $ 66,517,508 | $ 96,014,111 | $ 162,531,619 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Activities
For the Year Ended September 30, 2021

| Functions/Programs | Expenses | Program Revenues: Charges For Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Changes in Net Position: Governmental Activities | Changes in Net Position: Business-Type Activities | Total |
|---|---|---|---|---|---|---|---|
| Governmental Activities | | | | | | | |
| General Government | $ (4,210,284) | $ 1,880,432 | $ - | $ 99,622 | $ (2,230,230) | $ - | $ (2,230,230) |
| Police | (4,747,310) | 222,417 | - | - | (4,524,893) | - | (4,524,893) |
| Fire | (1,894,339) | 11,739 | - | - | (1,882,600) | - | (1,882,600) |
| Protective inspections | (701,779) | 1,310,281 | - | - | 608,502 | - | 608,502 |
| Economic Environment | (1,408,396) | - | - | - | (1,408,396) | - | (1,408,396) |
| Public Works | (3,494,199) | 1,789,836 | - | 6,080,768 | 4,376,405 | - | 4,376,405 |
| Library | (413,429) | 292,079 | - | - | (121,350) | - | (121,350) |
| Interest and Fiscal Charges on Long-Term Debt | (149,732) | - | - | - | (149,732) | - | (149,732) |
| Total Governmental Activities | (17,019,468) | 5,506,784 | - | 6,180,390 | (5,332,294) | - | (5,332,294) |
| Business-Type Activities | | | | | | | |
| Water and Sewer | (9,694,516) | 12,438,454 | - | 993,078 | - | 3,737,016 | 3,737,016 |
| Sanitation | (1,816,161) | 1,816,606 | - | - | - | 445 | 445 |
| Airport | (2,087,777) | 1,688,260 | - | 1,595,118 | - | 1,195,601 | 1,195,601 |
| Total Business-Type Activities | (13,598,454) | 15,943,320 | - | 2,588,196 | - | 4,933,062 | 4,933,062 |
| Total | $ (30,617,922) | $21,450,104 | $ - | $ 8,768,586 | $ (5,332,294) | $ 4,933,062 | $ (399,232) |
| General Revenues: | | | | | | | |
| Taxes | | | | | | | |
| Ad Valorem | | | | | 5,423,193 | - | 5,423,193 |
| Franchise Fees | | | | | 1,550,469 | - | 1,550,469 |
| Communications Services | | | | | 630,568 | - | 630,568 |
| Utility Taxes | | | | | 2,031,087 | - | 2,031,087 |
| Business Taxes | | | | | 100,588 | - | 100,588 |
| State Revenue Sharing | | | | | 509,038 | - | 509,038 |
| Half-Cent Sales Tax | | | | | 1,332,415 | - | 1,332,415 |
| Local Option Gas Tax | | | | | 677,913 | - | 677,913 |
| Local Option Sales Tax | | | | | 2,855,464 | - | 2,855,464 |
| Other Taxes | | | | | 148,467 | - | 148,467 |
| Investment Income | | | | | 37,395 | 14,374 | 51,769 |
| Miscellaneous | | | | | 28,442 | - | 28,442 |
| Gain (Loss) on Asset Disposal | | | | | 45,517 | 121,311 | 166,828 |
| Total General Revenues and Special Items | | | | | 15,370,556 | 135,685 | 15,506,241 |
| Change in Net Position | | | | | 10,038,262 | 5,068,747 | 15,107,009 |
| Net Position Beginning of Year | | | | | 14,073,190 | 69,350,698 | 83,423,888 |
| Net Position End of Year | | | | | $ 24,111,452 | $ 74,419,445 | $ 98,530,897 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Balance Sheet
Governmental Funds
For the Year Ended September 30, 2021

| | General | Special Revenue | CRA Fund | Impact Fee Fund | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and Pooled Cash, Cash Equivalents, and Investments | $ 8,582,432 | $ 10,179,998 | $ 408,410 | $ 4,572,609 | $ 23,743,449 |
| Accrued Income on Investments | | | | | - |
| Receivables (Net of Allowance) | | | | | |
| Accounts Billed | 347,239 | - | - | - | 347,239 |
| Taxes | | | | | - |
| Due from Other Governments | 196,440 | 336,281 | | 1,228,963 | 1,761,684 |
| Due from Other Funds | | - | | | - |
| Inventories - at Cost | 34,934 | - | - | - | 34,934 |
| Prepaid Items | 800 | - | - | - | 800 |
| Total Assets | $ 9,161,845 | $ 10,516,279 | $ 408,410 | $ 5,801,572 | $ 25,888,106 |
| **Liabilities and Fund Balances** | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 1,743,539 | 162,612 | 9,414 | 502,384 | 2,417,949 |
| Accrued Liabilities | 450,342 | - | - | - | 450,342 |
| Contracts Payable | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - |
| Due to Other Funds | - | - | - | - | - |
| Total Liabilities | 2,193,881 | 162,612 | 9,414 | 502,384 | 2,868,291 |
| **Fund Balances** | | | | | |
| Nonspendable: | | | | | |
| Inventories | 34,934 | - | - | - | 34,934 |
| Prepaid items | - | - | - | - | - |
| Restricted For: | | | | | |
| Community Reinvestment | 66,401 | - | 398,996 | - | 465,397 |
| Impact Fee Programs | - | - | - | 5,299,188 | 5,299,188 |
| Infrastructure Sales Tax Program | - | 9,684,352 | - | - | 9,684,352 |
| Transportation - Fuel Tax | - | 669,315 | - | - | 669,315 |
| Other (Confiscated Property) | 5,255 | - | - | - | 5,255 |
| Assigned: | | | | | |
| Cemetery Perpetual Care | 369,283 | - | - | - | 369,283 |
| CAD Reserve | 154,750 | - | - | - | 154,750 |
| ZNHH Reserve | 3,470,333 | - | - | - | 3,470,333 |
| Other | 186,782 | - | - | - | 186,782 |
| Undesignated/Unreserved | 2,680,226 | - | - | - | 2,680,226 |
| Total Fund Balances | 6,967,964 | 10,353,667 | 398,996 | 5,299,188 | 23,019,815 |
| **Total Liab. and Fund Balances** | $ 9,161,845 | $ 10,516,279 | $ 408,410 | $ 5,801,572 | $ 25,888,106 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Reconciliation of the Balance Sheet to the
Statement of Net Position Governmental Funds
For the Year Ended September 30, 2021

| | | |
|---|---|---|
| Fund Balances - Total Governmental Funds | | $ 23,019,815 |
| Amounts reported for Governmental Activities in the Statement of Net Assets are different because: | | |
| Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds. | | |
| Governmental Capital Assets | 65,042,718 | |
| Less: Accumulated Depreciation | (26,894,514) | 38,148,204 |
| Long-Term Liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds. | | (6,167,556) |
| Other | - | |
| Compensated Absences - Long-Term | (766,798) | |
| Unfunded Accrued Liability - OPEB | (20,201,060) | |
| Net Pension Liability | (3,814,760) | |
| Other Deferred Inflows/Outflows | (6,106,393) | (30,889,011) |
| Net Assets of Governmental Activities | | $ 24,111,452 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds
For the Year Ended September 30, 2021

| | General | Special Revenue | CRA Fund | Impact Fee Fund | Total |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $ 7,756,806 | $ - | $ 428,630 | $ - | $ 8,185,436 |
| Licenses and Permits | 2,774,515 | - | - | - | 2,774,515 |
| Intergovernmental Revenue | 1,991,820 | 7,739,401 | - | 1,959,744 | 11,690,965 |
| Charges for Services | 1,894,847 | - | - | - | 1,894,847 |
| Fines and Forfeitures | 81,436 | - | - | - | 81,436 |
| Miscellaneous Revenue | 290,533 | 32,304 | 2,746 | 7,897 | 333,480 |
| Special Assessments | - | - | - | 2,097,051 | 2,097,051 |
| Total Revenues | 14,789,957 | 7,771,705 | 431,376 | 4,064,692 | 27,057,730 |
| **Expenditures** | | | | | |
| Current | | | | | |
| General Government | 4,048,732 | 1,175,000 | 237,601 | - | 5,461,333 |
| Public Safety | 7,140,591 | - | - | - | 7,140,591 |
| Economic Environment | - | - | - | - | - |
| Physical Environment | - | - | - | - | - |
| Public Works | 2,116,706 | - | - | - | 2,116,706 |
| Library | 330,143 | - | - | - | 330,143 |
| Capital Outlay | 277,767 | 1,608,902 | 21,480 | 2,015,701 | 3,923,850 |
| Debt Service | | | | | |
| Principal Retirement | - | 440,695 | - | - | 440,695 |
| Interest and Fiscal Charges | - | 149,732 | - | - | 149,732 |
| Total Expenditures | 13,913,939 | 3,374,329 | 259,081 | 2,015,701 | 19,563,050 |
| Excess of Revenues Over (Under) Expend. | 876,018 | 4,397,376 | 172,295 | 2,048,991 | 7,494,680 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers In | - | - | - | - | - |
| Transfers Out | (18,740) | - | - | - | (18,740) |
| Total Other Financing Sources (Uses) | (18,740) | - | - | - | (18,740) |
| Net Change in Fund Balances | 857,278 | 4,397,376 | 172,295 | 2,048,991 | 7,475,940 |
| **Fund Balances - Beginning of Year** | 6,110,686 | 5,956,291 | 226,701 | 3,250,197 | 15,543,875 |
| **Fund Balances - End of Year** | $ 6,967,964 | $ 10,353,667 | $ 398,996 | $ 5,299,188 | $ 23,019,815 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2021

| | | |
|---|---|---|
| Net Change in Fund Balance - Total Government Funds | | $ 7,475,940 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Governmental Funds report Capital Outlays as Expenditures. However, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives. | | |
| Expenditures for Capital Assets | 3,923,850 | |
| Less Current Year Depreciation | (2,214,108) | 1,709,742 |
| Proceeds from debt issue are financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets. | | - |
| Estimated (increase)/decrease in Net OPEB obligations | | (1,447,060) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as Expenditures in Governmental Funds. | | |
| Other | 489,009 | |
| Change in Compensated Absences - Long-Term | 99,774 | |
| Other - Deferred Inflows/Outflows | (11,080,345) | |
| Increase Net Pension Liability | 12,791,202 | 2,299,640 |
| Change in Net Assets of Governmental Activities | | $ 10,038,262 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Net Position
Proprietary Funds
For the Year Ended September 30, 2021

| | Utility Fund | Sanitation Fund | Airport Fund | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and Investments | $ 7,082,475 | $ 1,198,202 | $ 2,064,088 | $ 10,344,765 |
| Accounts Receivable | 1,194,559 | 266,460 | 31,922 | 1,492,941 |
| Less: Allowance for Doubtful Accounts | (64,000) | (12,000) | - | (76,000) |
| Other prepaid expense | 11,444 | - | - | 11,444 |
| Inventories of Supplies, at cost | 340,633 | - | 46,462 | 387,095 |
| Due From Other Governments | - | - | - | - |
| Due From the Federal Government | - | - | 341,124 | 341,124 |
| Due From Other Funds | - | - | - | - |
| Total Current Assets | 8,565,111 | 1,452,662 | 2,483,596 | 12,501,369 |
| **Non-Current Assets** | | | | |
| **Restricted Assets** | | | | |
| Cash and Pooled Cash, Cash Equivalents and Investments | | | | |
| Utility Connection Impact Fees | 5,057,504 | - | - | 5,057,504 |
| Construction Fund | - | - | - | - |
| Sinking Fund | - | - | - | - |
| Renewal and Replacement | - | - | - | - |
| Water Reuse Reserve Fund | - | - | - | - |
| Utility Deposits | 1,518,466 | - | - | 1,518,466 |
| Total Restricted Assets | 6,575,970 | - | - | 6,575,970 |
| **Capital Assets** | | | | |
| Property, Plant, Equipment and Infrastructure | 93,016,883 | 4,378,681 | 32,331,639 | 129,727,203 |
| Less: Accumulated Depreciation | (37,701,191) | (2,238,209) | (13,451,274) | (53,390,674) |
| Total Capital Assets | 55,315,692 | 2,140,472 | 18,880,365 | 76,336,529 |
| Total Assets | 70,456,773 | 3,593,134 | 21,363,961 | 95,413,868 |
| **Deferred Outflows of Resources** | | | | |
| Deferred Pension Outflows | 430,348 | 119,182 | 50,713 | 600,243 |
| **Total Assets and Deferred Outflows of Resources** | $ 70,887,121 | $ 3,712,316 | $ 21,414,674 | $ 96,014,111 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Net Position
Proprietary Funds (continued)
For the Year Ended September 30, 2021

| | Utility Fund | Sanitation Fund | Airport Fund | Total |
|---|---|---|---|---|
| **Liabilities and Fund Equity** | | | | |
| Current Liabilities Payable from Current Assets | | | | |
| Accounts Payable and Accrued Expenses | $ 963,342 | $ 51,821 | $ 508,537 | $ 1,523,700 |
| Due to Other Governments | - | - | 2,108 | 2,108 |
| Due to Other Funds | - | - | - | - |
| Current Portion of Notes Payable | 1,973,418 | 12,760 | - | 1,986,178 |
| Total | 2,936,760 | 64,581 | 510,645 | 3,511,986 |
| **Current Liabilities Payable from Restricted Assets** | | | | |
| Customer Deposits | 1,524,908 | - | 48,887 | 1,573,795 |
| Accrued Interest | 34,746 | - | - | 34,746 |
| Total | 1,559,654 | - | 48,887 | 1,608,541 |
| Total Current Liabilities | 4,496,414 | 64,581 | 559,532 | 5,120,527 |
| **Long-Term Liabilities** | | | | |
| Net Pension Liabilty | 808,426 | 221,966 | 96,117 | 1,126,509 |
| Compensated Absences Payable, Long-Term Portion | 161,787 | 167,975 | 120,675 | 450,437 |
| Bonds and Notes Payable-L/T Portion | 12,870,982 | 83,221 | - | 12,954,203 |
| Total Long-Term Liabilities | 13,841,195 | 473,162 | 216,792 | 14,531,149 |
| Total Liabilities | 18,337,609 | 537,743 | 776,324 | 19,651,676 |
| **Deferred Inflow of Resources** | | | | |
| Deferred Pension Inflows | 1,392,531 | 386,924 | 163,535 | 1,942,990 |
| Total Liabilities and Deferered Inflow of Resources | 19,730,140 | 924,667 | 939,859 | 21,594,666 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 40,471,292 | 2,044,491 | 18,880,365 | 61,396,148 |
| Restricted | | | | |
| Debt Service | - | - | - | - |
| Renewal and Replacement | - | - | - | - |
| Extension | 5,057,504 | | - | 5,057,504 |
| Unrestricted | 5,628,185 | 743,158 | 1,594,450 | 7,965,793 |
| Total Net Assets | 51,156,981 | 2,787,649 | 20,474,815 | 74,419,445 |
| **Total Liabilities and Net Assets** | $ 70,887,121 | $ 3,712,316 | $ 21,414,674 | $ 96,014,111 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2021

| | Utility Fund | Sanitation Fund | Airport Fund | Total |
|---|---|---|---|---|
| **Operating Revenue** | | | | |
| Charges for Services | $ 11,105,892 | $ 1,816,606 | $ 1,688,260 | $ 14,610,758 |
| Total Operating Revenue | 11,105,892 | 1,816,606 | 1,688,260 | 14,610,758 |
| **Operating Expenses** | | | | |
| Personal Services | 2,379,157 | 710,893 | 485,209 | 3,575,259 |
| Professional Services | 1,181,361 | 19,093 | 2,300 | 1,202,754 |
| Operating Supplies | 64,427 | 34,617 | 3,905 | 102,949 |
| Repairs and Maintenance | 186,681 | 125,662 | 34,985 | 347,328 |
| Utilities | 507,393 | 2,552 | 34,169 | 544,114 |
| Depreciation | 3,268,744 | 278,113 | 953,370 | 4,500,227 |
| Administrative Fees | 1,414,748 | 511,440 | 20,000 | 1,946,188 |
| Other Operating Expenses | 432,411 | 131,383 | 59,843 | 623,637 |
| Costs of Goods Resold | - | - | 493,996 | 493,996 |
| Total Operating Expenses | 9,434,922 | 1,813,753 | 2,087,777 | 13,336,452 |
| Operating Income (Loss) | 1,670,970 | 2,853 | (399,517) | 1,274,306 |
| **Non-Operating Revenue (Expenses)** | | | | |
| Investment Income | 9,459 | 1,855 | 3,060 | 14,374 |
| Interest Expense/Bond Refinance | (259,594) | (2,408) | - | (262,002) |
| Connection Fees | 1,332,562 | - | - | 1,332,562 |
| Gain (Loss) on Sale of Asset | 118,261 | 3,050 | - | 121,311 |
| Total Non-Operating Revenues (Expenses) | 1,200,688 | 2,497 | 3,060 | 1,206,245 |
| **Income Before Capital Contributions and Transfers** | 2,871,658 | 5,350 | (396,457) | 2,480,551 |
| Transfers from other funds | - | - | - | - |
| Contribution from Customer | 455,427 | - | - | 455,427 |
| Capital Grants | 537,651 | - | 1,595,118 | 2,132,769 |
| Change in Net Assets | 3,864,736 | 5,350 | 1,198,661 | 5,068,747 |
| **Net Assets - Beginning of Year** | 47,292,245 | 2,782,299 | 19,276,154 | 69,350,698 |
| **Net Assets - End of Year** | $ 51,156,981 | $ 2,787,649 | $ 20,474,815 | $ 74,419,445 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

| | Utility Fund | Sanitation Fund | Airport Fund | Total |
|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | |
| Cash Received from Customers | $ 14,051,098 | $ 1,843,983 | $ 1,442,952 | $ 17,338,033 |
| Cash Paid to Suppliers for Goods and Services | (2,619,802) | (219,707) | (288,065) | (3,127,574) |
| Cash Paid to and for the Benefit of Employees | (2,360,325) | (688,047) | (469,926) | (3,518,298) |
| Cash Paid to Other Funds for Goods or Services | (1,414,748) | (511,440) | (20,000) | (1,946,188) |
| Net Cash Provided (Used) by Operating Activities | 7,656,223 | 424,789 | 664,961 | 8,745,973 |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Interfund Activity-Due to/from | - | - | - | - |
| Proceeds of Grant/Donations | 675,651 | - | 1,595,118 | 2,270,769 |
| Payments for Capital Acquisitions | (6,854,680) | (331,158) | (1,590,680) | (8,776,518) |
| Principal Repayments | (1,635,172) | (27,965) | - | (1,663,137) |
| Proceeds from SRF Loan | 3,959,963 | - | - | 3,959,963 |
| Interest Paid | (259,594) | (2,408) | - | (262,002) |
| Proceeds from Assets Sold | 19,486 | 13,050 | - | 32,536 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (4,094,346) | (348,481) | 4,438 | (4,438,389) |
| **Cash Flows from Investing Activities:** | | | | |
| Receipt of Interest | 9,459 | 1,855 | 3,060 | 14,374 |
| Net Cash Provided from Investing Activities | 9,459 | 1,855 | 3,060 | 14,374 |
| Net Increase (Decrease) in Cash | 3,571,336 | 78,163 | 672,459 | 4,321,958 |
| Cash, Beginning of Year | 10,087,109 | 1,120,039 | 1,391,629 | 12,598,777 |
| **Cash, End of Year** | $ 13,658,445 | $ 1,198,202 | $ 2,064,088 | $ 16,920,735 |
| **Reconciliation of Cash and Cash Equivalents to Balance Sheet** | $ 13,658,445 | $ 1,198,202 | $ 2,064,088 | $ 16,920,735 |
| Unrestricted Cash and Pooled Cash, Cash Equivalents and Investments | 7,082,475 | 1,198,202 | 2,064,088 | 10,344,765 |
| Restricted Cash and Pooled Cash, Cash Equivalents, and Investments | | | | |
| Utility Impact Fees | 5,057,504 | - | - | 5,057,504 |
| Customer Deposits | 1,518,466 | - | - | 1,518,466 |
| Renewal and Replacement Fund | - | - | - | - |
| Construction Fund | - | - | - | - |
| **Total** | $ 13,658,445 | $ 1,198,202 | $ 2,064,088 | $ 16,920,735 |

The accompanying notes are an integral part of these financial statements.

# City of Zephyrhills, Florida

Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended September 30, 2021

| | Utility Fund | Sanitation Fund | Airport Fund | Total |
|---|---|---|---|---|
| **Operating Income (Loss)** | $ 1,670,970 | $ 2,853 | $ (399,517) | $ 1,274,306 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Depreciation Expense | 3,268,744 | 278,113 | 953,370 | 4,500,227 |
| Connection Fees | 1,332,562 | - | - | 1,332,562 |
| (Increase) Decrease in Accounts Receivable, Net | 1,608,182 | 27,377 | (245,308) | 1,390,251 |
| (Increase) Decrease in Inventories | (83,059) | - | (26,873) | (109,932) |
| Net Increase in Customer Deposits | 154,276 | - | (4,773) | 149,503 |
| Increase (Decrease) in Accounts Payable Suppliers | (15,948) | 2,728 | 334,637 | 321,417 |
| Increase(Decrease) Other | (298,336) | 90,872 | 38,142 | (169,322) |
| Increase (Decrease) in Accrued Payroll and Compensated Absences | 18,832 | 22,846 | 15,283 | 56,961 |
| Total Adjustments | 5,985,253 | 421,936 | 1,064,478 | 7,471,667 |
| Net Cash Provided (Used) by Operating Activities | $ 7,656,223 | $ 424,789 | $ 664,961 | $ 8,745,973 |

Supplemental Schedule of Non-Cash Investing, Capital and Financing Activities.

An allowance for uncollectible accounts has been provided for at September 30, 2021 in the amount of $76,000.

The accompanying notes are an integral part of these financial statements.

## Note 1 - Summary of Significant Accounting Policies

The City of Zephyrhills was incorporated pursuant to Florida Legislature Spec. Acts 1925, Chap. 11327, Sec. 1, as amended by Spec. Acts 1927, Chap. 13564, Sec. 1. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation, water and wastewater services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

### Defining the Financial Reporting Entity

In accordance with Governmental Accounting Standards Board Statement Number 14, the financial reporting entity includes the primary government, organizations for which the primary government is financially accountable and other organizations which, if excluded, would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority to an organization's board and either displays the ability to impose its will on that organization or the possibility that the organization will impose or provide a financial burden or benefit to the primary government.

### Included within the Reporting Entity:

Zephyrhills Community Redevelopment Agency: The Zephyrhills Community Redevelopment Agency was formed as a special district by Council Resolution number 437 adopted March 9, 1998. The resolution provided that the City Council itself is the governing body of the agency. The district was formed for the purpose of redevelopment of the specified area of land within the downtown area of the City of Zephyrhills.

This special district is fully dependent upon the City of Zephyrhills and its funding and expenditures are reported by the City through its Special Revenue Fund (governmental fund type). Under specific requirements as outlined in "Governmental Accounting Standards Board" (GASB) Statement 14, the special district is not considered legally separate but is reportable as a component unit under Florida State requirements.

### Basic Financial Statements - Government-Wide Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables and long-term liabilities. Governmental activities include the General Fund and Special Revenue Fund. Business-type activities include the Utility Fund, Sanitation Fund and Airport Fund.

In the government-wide Statement of Net Position, both the governmental and business-type activities (a) are presented on a consolidated basis by column and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

## Note 1 - Summary of Significant Accounting Policies (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function (police, public works, community services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

### Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, 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. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has electively added funds, as major funds, which either have debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements. All funds of the City are considered major funds.

### Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

The General Fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

The CRA Fund is used to account for revenues and expenditures specifically derived from and applicable to the Community Redevelopment Agency Area within the City.

The Impact Fee Fund is used to account for proceeds from police, fire, transportation and park impact fees that are restricted by ordinance for specific purposes.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

## Note 1 - Summary of Significant Accounting Policies (continued)

### Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports the following proprietary fund types: Utility Water and Sewer, Sanitation, and Airport.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

### Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

### Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

### Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied, provided they are also available. Intergovernmental revenues or grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

## Note 1 - Summary of Significant Accounting Policies (continued)

### Budgets and Budgetary Accounting

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

The City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year. It contains proposed expenditures and the means to finance them, including a proposed property tax millage.

Public hearings are conducted to obtain taxpayer comments on the proposed budget and property tax millage rate.

The budget and property tax millage are approved by the City Council in September.

Annual budgets are adopted for the following funds: General Fund, Special Revenue Fund, and Enterprise Funds.

The City Council must approve budget amendments that affect revenue accounts or appropriations in more than one department. Expenditures may not exceed legal appropriations at the department level. Appropriations lapse at year-end. All budget amounts presented in the accompanying financial statements and supplemental information have been adjusted for revisions as approved by City Council during the year.

Formal budgetary integration is employed as a management control device during the year for the Governmental Funds.

Budgets for the Governmental Funds are adopted on a basis consistent with generally accepted accounting principles.

### Assets, Liabilities, and Fund Equity

The City utilizes a consolidated cash pool to account for cash, cash equivalents, and investments of all City funds other than those that are required by ordinance to be physically segregated. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield that are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds.

The City considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, to be cash equivalents. The majority of the City's pooled investments have the general characteristics of demand deposits, in that additional funds may be deposited at any time and funds may be withdrawn at any time without prior notice or penalty. Therefore, all of the pooled investments, regardless of their maturities, are considered cash equivalents.

The City participates in the Florida Prime (formerly known as the Local Government Surplus Funds Trust Fund Investment Pool) operated by the Florida State Board of Administration. Florida Prime is considered a SEC 2a7-like fund pool in accordance with GASB statement No. 31 and is valued using the pooled share price which approximates fair value. (See also Note 2)

### Investments

Investments are reported at fair value. Investments in mutual fund type securities are valued at the net asset value of the fund based on the underlying assets held in the funds. The fair value of an investment is the amount that could reasonably be expected to be received for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

## Note 1 - Summary of Significant Accounting Policies (continued)

### Receivables
Utility (water and sewer and sanitation fund) operating revenues are generally recognized on the basis of cycle billings rendered monthly or quarterly. The City records estimated revenues for services delivered during the current fiscal year that will be billed during the next fiscal year.

### Inventories
Inventories are stated at cost using the first-in, first-out method. Inventories in the governmental funds are accounted for by the consumption method, wherein inventories are charged as expenditures when used.

### Prepaid Items
Payments made to vendors for services that will benefit periods beyond September 30, 2021 are recorded as prepaid items.

### Taxes Receivable
Other tax receivables include franchise and utility taxes that are received monthly.

### Property Taxes
Under Florida Law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the Pasco County Property Appraiser and Pasco County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mills. The millage rate in effect for the fiscal year ended September 30, 2021 was 6.35.

The tax levy of the City is established by the City Council prior to October 1 of each year. The Pasco County Property Appraiser incorporates the millage into the total tax levy, which includes the tax requirements of the county, municipalities, independent districts and the Pasco County School Board.

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

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Pasco County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificate may be made by the certificate holder after a period of two years. Unsold certificates are held by Pasco County.

## Note 1 - Summary of Significant Accounting Policies (continued)

### Capital Assets

Capital assets acquired or constructed in excess of $750 are capitalized at historical cost. Donated assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable assets are as follows:

| Assets | Years |
|---|---|
| Sewer System | 50 |
| Water System | 50 |
| Public Domain Infrastructure | 20-40 |
| Buildings | 10-50 |
| Equipment | 5-10 |

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with tax-exempt debt. There was no interest capitalized during the year ended September 30, 2021. Interest cost is not capitalized on projects financed by government grants, third-party donations or on assets in the governmental funds.

### Compensated Absences

Annual vacation accruals vary based on the years of service. The maximum number of annual leave hours that an employee may accrue is 320 hours except fire fighters who may accumulate up to 448 hours.

Medical leave accumulates at the rate of 8 hours for each month worked (except fire fighters at 11.0 hours per month) with no maximum accumulation. Payment for unused medical leave will be made at termination of employment based on years of service. A provision for accumulated absences, related payroll taxes and retirement has been made in the financial statements as of September 30, 2021.

Employees with 25 or more years of service that elect to resign, retire, and/or enter into the DROP Program, and provide the City with a 12 month written notice, may carry over all accrued annual leave up to the maximum allowed by the Florida Retirement System (currently 500 hours). This is retroactive to July 1, 2001.

### Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components - invested in capital assets (net of related debt), restricted, and unrestricted.

### Invested in Capital Assets (net of related debt)

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.

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Note 1 - Summary of Significant Accounting Policies (continued)

### Restricted
This component consists of net position that has constraints placed on them either externally by third parties (creditors, grantors, and contributors) or by law through constitutional provisions of enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use of these funds.

### Unrestricted
This component consists of net position that does not meet the definition of "invested in capital assets, net of related debt" and "restricted". Designations of net position made by the City's management are included in this component because these types of constraints are internal, and management can remove or modify them.

### Fund Balances
In the fund financial statements, fund balance for governmental funds (General Fund, Special Revenue Fund, CRA Fund, Impact Fee Fund) is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Under GASB 54 requirements, fund balance is reported as five possible components – nonspendable, restricted, committed, assigned, and unassigned.

### Nonspendable
This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

### Restricted
This component includes amounts reported as restricted when constraints placed on the use of the resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

### Committed
This component includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Such amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

### Assigned
This component is used to report the government's intent to use the amount for a specific purpose but are neither restricted, nor committed.

## Note 1 - Summary of Significant Accounting Policies (continued)

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

In governmental funds, bond discounts and issuance costs are recognized in the current period. In the proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method of accounting, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred outflows of resources.

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

### Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the City's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the City's statement of net position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the City's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

## Note 1 - Summary of Significant Accounting Policies (continued)

### Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation where applicable.

### Use of Estimates

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

## Note 2 - Cash and Pooled Cash, Cash Equivalents, and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments" under each fund's caption.

Cash and Investments include amounts in demand deposits (including sweep account features), United States Treasury Notes, bank certificates of deposit, repurchase agreements and deposits with the State Board of Administration of Florida's Prime Fund.

Fiscal management policies designed to comply with Florida statutes authorize the government to invest in:

A. The Florida Prime Fund (SBA) and the Florida Municipal Investment Trust.

B. Negotiable direct obligations or obligations where the principal and interest are unconditionally guaranteed by the United States Government.

C. Non-negotiable interest-bearing time certificates of deposit or savings accounts in banks and savings associations under the laws of this state and/or in national banks or savings associations organized under the law of the United States and doing business and situated in this state, provided that any such deposits are secured by the Florida Security of Public Deposits Act Chapter 280, Florida Statutes, and provided that the bank or savings association is not listed with any recognized credit watch information service.

D. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States agencies provided such obligations are backed by the full faith and credit of the United States Government.

**Note 2 - Cash and Pooled Cash, Cash Equivalents, and Investments (continued)**

E. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States Government agencies (Federal Instrumentalities), which are non-full faith and credit agencies limited to the following:

- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank or its district banks (FHLB)
- Federal National Mortgage Association (FNMA)-FNMA guaranteed pass-through obligations
- Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificates
- Student Loan Marketing Association (Sallie-Mae)
- Tennessee Valley Authority (TVA)

F. Repurchase agreements comprised of only those investments as authorized in Section B, C and D above.

All demand deposits and certificates of deposit are covered by FDIC insurance and collateral pledged with the State Treasurer by the applicable banks. This is done in compliance with Section 280, Florida Statutes, which provides that in the event of a default by any such bank or savings and loan association, all participating banks and savings and loan associations throughout the State would be obligated to reimburse the government for any loss. Funds on deposit in repurchase agreements and the Florida Local Government Investment Pool (Florida Prime) are not covered by FDIC insurance or Florida Section 280.

Pooled Cash and Investments consist of the following amounts and maturities as of September 30, 2021:

| | | Investment Maturity (in years) | |
|---|---|---|---|
| Deposit/Investment Type | Fair Value | Less than 1 yr | 5+ Years |
| Florida Prime | $ 15,266,510 | $ 15,266,510 | $ - |
| Bank Issued Certificates of Deposit | 4,836,438 | 4,836,438 | - |
| Florida Local Government Investment Trust | 2,215,250 | 2,215,250 | - |
| Bank Demand Deposit Account | 16,703,652 | 16,703,652 | - |
| | $ 39,021,850 | $ 39,021,850 | $ - |

The Florida Prime is rated by Standard and Poors as AAAm. The weighted average days to maturity of the Florida Prime as of September 30, 2021, was 48 days.

The Florida Local Government Investment Trust is maintained in the short-term bond fund, which had a rating of AAAf and a weighted duration to maturity of 2.00 years as of September 30, 2021.

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## Note 2 - Cash and Pooled Cash, Cash Equivalents, and Investments (continued)

### Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution and limits holdings in any type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and has generally restricted the maximum investment term to less than five years from the purchase date.

Equity in pooled cash and investments by fund are:

| Fund | Deposit Type | Amount |
|---|---|---|
| General Fund | Unrestricted | $ 8,581,634 |
| Special Revenue Fund | Unrestricted | 10,179,998 |
| CRA Fund | Unrestricted | 408,410 |
| Impact Fee Fund | Unrestricted | 4,572,610 |
| Proprietary Funds | Unrestricted | 13,638,620 |
| Proprietary Funds | Restricted | 1,640,578 |
| | Total Pooled Cash and Investments | $ 39,021,850 |

## Note 3 - Receivables

The receivables and related allowances for uncollectibles at September 30, 2021 were as follows:

| | Receivables | Allowance for Uncollectibles | Net |
|---|---|---|---|
| General Fund | $ 543,679 | $ - | $ 543,679 |
| Special Revenue Fund | - | - | - |
| Impact Fee Fund | - | - | - |
| Enterprise Funds | 1,490,267 | (76,000) | 1,414,267 |
| Total | $ 2,033,946 | $ (76,000) | $ 1,957,946 |

## Note 4 - Capital Assets

Governmental activities' capital asset activity for the fiscal year ending September 30, 2021, was as follows:

| Governmental Activities | Beginning Balance 10/1/2020 | Additions/ Transfers In | Deletions/ Transfers Out | Reclassifying Asset Adjust. | Ending Balance 9/30/2021 |
|---|---|---|---|---|---|
| Non-Depreciable Assets | | | | | |
| Land and Improvements | $ 3,888,325 | $ - | $ - | $ - | $ 3,888,325 |
| Depreciable Assets | | | | | |
| Buildings and Improvements | 17,319,443 | 5,747,783 | 800,927 | - | 22,266,299 |
| Improvements Other than Buildings | 5,097,295 | 1,809,209 | 51,876 | - | 6,854,628 |
| Equipment | 8,998,286 | 1,043,601 | 540,620 | - | 9,501,267 |
| Infrastructure | 18,403,209 | 3,790,737 | - | - | 22,193,946 |
| Construction in Progress | 8,156,041 | 48,049 | 7,865,837 | - | 338,253 |
| Total at Historical Cost | 61,862,599 | 12,439,379 | 9,259,260 | - | 65,042,718 |
| Less Accumulated Depreciation for | | | | | |
| Land and Land Improvements | - | | - | - | - |
| Buildings and Improvements | 4,808,904 | 619,943 | 800,927 | 193,116 | 4,821,036 |
| Improvements Other than Buildings | 3,356,866 | 402,770 | 51,876 | 30,858 | 3,738,618 |
| Equipment | 6,019,060 | 467,236 | 540,620 | 177,856 | 6,123,532 |
| Infrastructure | 11,487,170 | 724,158 | - | - | 12,211,328 |
| Total Accumulated Depreciation | 25,672,000 | 2,214,107 | 1,393,423 | 401,830 | 26,894,514 |
| Capital Assets, Net | $ 36,190,599 | $ 10,225,272 | $ 7,865,837 | $ (401,830) | $ 38,148,204 |

On September 27, 2020, the City entered into an interlocal agreement with Pasco County for the assumption of the City's fire suppression and first responder responsibilities for the benefit of the City's residents. Upon the commencement of the agreement, the City shall transfer to the County the fire station properties, vehicles and fire equipment with the agreement that the County will reimburse the City the assessed market value for the assets to be paid in the form of credits against future payments for services.

**Note 4 - Capital Assets (continued)**

Depreciation was charged to the governmental activities as follows:

| | |
|---|---|
| General Government | |
| Administration | $ 275,048 |
| Other General Government | 10,991 |
| Total General Government | 286,039 |
| Public Safety | |
| Fire Department | - |
| Police Department | 377,881 |
| Protective Inspection | 16,593 |
| Total Public Safety | 394,474 |
| Public Works | |
| Streets | 1,127,459 |
| Equipment Maintenance | 24,238 |
| Parks and Facility Management | 287,163 |
| Total Public Works | 1,438,860 |
| Culture and Recreation | |
| Library | 94,735 |
| Total Culture & Recreation | 94,735 |
| Total | $ 2,214,108 |

Business-Type activities' capital asset activity for the fiscal year ending September 30, 2021, was as follows:

| | Beginning Balance 10/1/2020 | Additions/ Transfers In | Deletions/ Transfers Out | Reclassifying Asset Adjustments | Ending Balance 9/30/2021 |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| Non-Depreciable Assets | | | | | |
| Land and Improvements | $ 2,875,160 | $ - | $ - | $ - | $ 2,875,160 |
| Depreciable Assets | | | | | |
| Buildings and Improvements | 30,744,446 | 1,332,152 | - | - | 32,076,598 |
| Equipment | 7,337,677 | 868,088 | 203,084 | 51,500 | 8,054,181 |
| Infrastructure | 74,998,869 | 9,200,339 | 49,489 | - | 84,149,719 |
| Construction in Progress | 4,139,217 | 604,141 | 2,171,813 | - | 2,571,545 |
| Total at Historical Cost | 120,095,369 | 12,004,720 | 2,424,386 | 51,500 | 129,727,203 |
| Less Accumulated Depreciation for: | | | | | |
| Buildings and Improvements and Infrastructure | 46,777,795 | 3,946,449 | 49,489 | (79,426) | 50,595,329 |
| Equipment | 2,288,175 | 573,903 | 203,084 | 136,351 | 2,795,345 |
| Total Accumulated Depreciation | 49,065,970 | 4,520,352 | 252,573 | 56,925 | 53,390,674 |
| Capital Assets, Net | $ 71,029,399 | $ 7,484,368 | $ 2,171,813 | $ (5,425) | $ 76,336,529 |

## Note 5 - Long-Term Debt

Long-term debt activity for the fiscal year ending September 30, 2021 is as follows:

| Governmental Activities: | Beginning Balance 10/1/2020 | Increases | Decreases | Ending Balance 9/30/2021 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Notes and Leases Payable | | | | | |
| Bond Payable, JP Morgan Chase Bank, N.A. (City Hall Project) | 6,608,251 | - | 440,695 | 6,167,556 | 451,024 |
| Total Notes and Leases Payable | 6,608,251 | - | 440,695 | 6,167,556 | 451,024 |
| Other Liabilities | | | | | |
| Net OPEB Obligations | 18,754,000 | 1,797,600 | 350,540 | 20,201,060 | - |
| Compensated Absences | 1,058,769 | 427,267 | 268,896 | 1,217,140 | 450,342 |
| Total Long-term Liabilities Governmental Activities | $ 26,421,020 | $ 2,224,867 | $ 1,060,131 | $ 27,585,756 | $ 901,366 |

City of Zephyrhills, FL has an Infrastructure Sales Surtax Revenue Bond (Series 217 Bond) obligation to JP Morgan Chase Bank, N.A. (City Hall Project) bearing interest at 2.344%. The Bond is payable in one principal payment per year and two interest payments per year, with total annual payments of $595,592. Interest is payable on April 1 and October 1 each year. Closing date of the Series 217 Bond was October 25, 2017. The Bond is payable from Non-Ad Valorem revenues which must be budgeted and appropriated each year. The full faith and credit of the City is not pledged to the payment of the Bond. The Bond cannot be prepaid prior to October 25, 2022.

Principal and interest payments for the years following September 30, 2021, are as follows:

| | Principal | Interest |
|---|---|---|
| 2022 | 451,024 | 139,282 |
| 2023 | 461,596 | 128,586 |
| 2024 | 472,417 | 117,639 |
| 2025 | 483,490 | 106,436 |
| 2026 | 494,823 | 94,970 |
| 2027 to 2031 | 2,653,629 | 337,817 |
| 2032 to 2033 | 1,150,577 | 27,125 |
| Total | $ 6,167,556 | $ 951,855 |

**Note 5 - Long-Term Debt (continued)**

| | Beginning Balance 10/01/20 | Increases | Decreases | Ending Balance 09/30/21 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities** | | | | | |
| Bonds Payable, BB&T Series | $ 4,126,524 | $ - | $ 650,690 | $ 3,475,834 | $ 665,084 |
| Total Bond Payable | 4,126,524 | - | 650,690 | 3,475,834 | 665,084 |
| EPA Loan to Utility Fund (SRF) | 8,489,066 | 3,959,963 | 984,482 | 11,464,547 | 1,321,094 |
| Total Bonds and Notes Payable | 12,615,590 | 3,959,963 | 1,635,172 | 14,940,381 | 1,986,178 |
| Other Liabilities | | | | | |
| Compensated Absences | 532,365 | 160,534 | 84,352 | 608,547 | 158,111 |
| Total Long-Term Business-Type Activities | $ 13,147,955 | $ 4,120,497 | $ 1,719,524 | $ 15,548,928 | $ 2,144,289 |

**Clean Water State Revolving Fund Loan Agreement**
In connection with necessary expansion of the wastewater treatment plant, the City approved funding of said improvement by use of a loan from the state revolving loan fund and EPA. The total commitment available to the City is $19,749,018, including construction period capitalized interest.

The loan provides for interest at the rate of 2.12% and requires semi-annual payments of $1,159,261. The construction was substantially completed as of September 30, 2008, and the plant is in operation.

In the current year the City received an additional loan for waste water treatment plant improvements for an amount of $6,188,840 of which they took disbursements in the amount of $3,959,963. The loan provides for 0% interest and requires semi-annual payments of $157,815.

All Utility Fund revenues, including connection fees, have been pledged as collateral for the loans.

**Note 5 - Long-Term Debt (continued)**

The following repayment schedule is based on funds draw down as of September 30, 2021.

| Year | Principal | Interest Rate | Interest Amount | Total EPA Loan Service Requirement |
|---|---|---|---|---|
| 2022 | 1,321,094 | 0% - 2.12% | 153,797 | 1,474,891 |
| 2023 | 1,342,523 | 0% - 2.12% | 132,368 | 1,474,891 |
| 2024 | 1,364,409 | 0% - 2.12% | 110,482 | 1,474,891 |
| 2025 | 1,386,761 | 0% - 2.12% | 88,130 | 1,474,891 |
| 2026 | 1,409,589 | 0% - 2.12% | 65,302 | 1,474,891 |
| 2027 | 1,432,904 | 0% - 2.12% | 41,984 | 1,474,888 |
| 2028 | 1,456,713 | 0% - 2.12% | 18,175 | 1,474,888 |
| 2029 | 315,630 | 0.00% | - | 315,630 |
| 2030 | 315,630 | 0.00% | - | 315,630 |
| 2031 | 315,630 | 0.00% | - | 315,630 |
| 2032 | 315,630 | 0.00% | - | 315,630 |
| 2033 | 315,630 | 0.00% | - | 315,630 |
| 2034 | 172,404 | 0.00% | - | 172,404 |
| | $ 11,464,547 | | $ 610,238 | $ 12,074,785 |

The City of Zephyrhills borrowed money in the current year and several years ago from the US Department of Environmental Protection Agency. The loans were passed through the Florida Department of Environmental Protection, Clean Water State Revolving Fund. The funds were also associated with the American Recovery and Reinvestment Act. The proceeds were used to upgrade and expand the existing Wastewater Treatment Plant.

**Note 5 - Long-Term Debt (continued)**

During fiscal year 2016, the City issued $6,591,078, for long-term financing of equipment upgrades and related costs for the Utility and Sanitation funds. The debt is in the form of a lease-purchase agreement and is reported as Bonds Payable, BB&T Series Equipment Finance lease. The following is a schedule of maturities under this agreement:

| Year | Principal | Interest Rate | Interest Amount | Total BB&T Loan Service Requirement |
|---|---|---|---|---|
| 2022 | 665,084 | 2.20% | 72,831 | 737,915 |
| 2023 | 679,796 | 2.20% | 58,119 | 737,915 |
| 2024 | 694,834 | 2.20% | 43,081 | 737,915 |
| 2025 | 710,205 | 2.20% | 27,710 | 737,915 |
| 2026 | 725,915 | 2.20% | 11,995 | 737,910 |
| | $ 3,475,834 | | $ 213,736 | $ 3,689,570 |

Total Annual Business Activities Debt Service Requirements - excluding compensated absences:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2022 | 1,986,178 | 226,628 | 2,212,806 |
| 2023 | 2,022,319 | 190,487 | 2,212,806 |
| 2024 | 2,059,243 | 153,563 | 2,212,806 |
| 2025-2030 | 7,437,717 | 253,296 | 7,691,013 |
| 2031-2034 | 1,434,924 | - | 1,434,924 |
| | $ 14,940,381 | $ 823,974 | $ 15,764,355 |

The City is in compliance with all significant debt requirements.

## Note 6 - Employee Retirement Systems and Pension

### Florida Retirement System (FRS)

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

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The City's pension expense totaled ($90,599) for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2021.

## Note 6 - Employee Retirement Systems and Pension (continued)

### Florida Retirement System Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

## Note 6 - Employee Retirement Systems and Pension (continued)

### Benefits Provided

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

| Class, Initial Enrollment, and Retirment Age/Years of Service: | % Value |
|---|---|
| **Regular Class members initially enrolled before July 1, 2011** | |
| Retirement up to age 62 or up to 30 years of service | 1.60 |
| Retirement up to age 63 or up to 31 years of service | 1.63 |
| Retirement up to age 64 or up to 32 years of service | 1.65 |
| Retirement up to age 65 or up to 33 years of service | 1.68 |
| **Regular Class members initially enrolled on or after July 1, 2011** | |
| Retirement up to age 65 or up to 33 years of service | 1.60 |
| Retirement up to age 66 or up to 34 years of service | 1.63 |
| Retirement up to age 67 or up to 35 years of service | 1.65 |
| Retirement up to age 68 or up to 36 years of service | 1.68 |
| **Elected County Officers** | 3.00 |
| **Senior Management Service Class** | 2.00 |
| **Special Risk Regular** | |
| Service from December 1, 1970, through September 30, 1974 | 2.00 |
| Service on and after October 1, 1974 | 3.00 |

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

## Note 6 - Employee Retirement Systems and Pension (continued)

### Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the City, effective July 1,2021, were applied to employee salaries as follows: Regular–8.10%, Senior Management 27.29%, and DROP participants 14.60%. The City's contributions to the FRS Plan were $1,069,002 for year ended September 30, 2021.

### Pension Costs

At September 30, 2021, the City reported a liability of $2,231,758 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The City's proportion of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2021, the City's proportion was 0.00295446%, which was a decrease of 0.008368715% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2020, the City recognized pension expense of ($285,630). In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 382,527 | $ - |
| Changes in Actuarial Assumptions | 1,527,079 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 7,786,043 |
| Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions | 383,901 | 2,346,277 |
| City Contributions Subsequent to the Measurement Date | 299,239 | - |
| Total | $ 2,592,746 | $ 10,132,320 |

**Note 6 - Employee Retirement Systems and Pension (continued)**

The $299,239 reported as deferred outflows of resources related to pensions resulting from City contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| Year Ended September 30, | Amount |
|---|---|
| 2022 | $ (1,369,629) |
| 2023 | (1,615,333) |
| 2024 | (2,055,053) |
| 2025 | (2,490,259) |
| 2026 | (308,538) |
| Thereafter | - |

**Actuarial Assumptions**

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| FRS Actuarial Assumptions | |
|---|---|
| Inflation | 2.60 % per year |
| Salary Increases | 3.25%, Average, Including Inflation |
| Investment Rate of Return | 6.80%, Net of Pension Plan Investment Expense, Including Inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

**Note 6 - Employee Retirement Systems and Pension (continued)**

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

The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation (1) | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.00% | 2.20% | 2.20% | 1.20% |
| Fixed Income | 19.00% | 3.00% | 2.90% | 3.50% |
| Global Equity | 54.20% | 8.00% | 6.70% | 17.10% |
| Real Estate (Property) | 10.30% | 6.40% | 5.80% | 11.70% |
| Private Equity | 11.10% | 10.80% | 8.10% | 25.70% |
| Strategic Investments | 4.40% | 5.50% | 5.30% | 6.90% |
| Totals | 100.00% | | | |
| Assumed Inflation - Mean | | | 2.4% | 1.70% |

(1) As outlined in the Pension Plan's investment policy.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.80% for the FRS Plan. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

**Note 6 - Employee Retirement Systems and Pension (continued)**

**Pension Liability Sensitivity**
The following presents the City's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| Description | 1% Decrease Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| FRS Plan Discount Rate | 5.80% | 6.80% | 7.80% |
| Council's Proportionate Share of the FRS Plan Net Pension Liability (Asset) | $ 9,980,571 | $ 2,231,758 | $ (4,245,381) |

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

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

**Benefits Provided**
For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions**
The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statues. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The City's contributions to the HIS Plan were $123,905 for the year ended September 30, 2021.

**Note 6 - Employee Retirement Systems and Pension (continued)**

**Pension Costs**

At September 30, 2021, the City reported a liability of $2,709,511 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all participating employers. At June 30, 2021, the City's proportion was 0.00220887%, which was a decrease of 0.002669928% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the City recognized pension expense of $195,031 for its proportionate share of HIS's pension expense. In addition, the City reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 90,667 | $ 1,135 |
| Changes in Actuarial Assumptions | 212,907 | 111,639 |
| Net Difference Between Projected and Actual Earnings on HIS Program Investments | 2,825 | - |
| Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions | 149,048 | 285,487 |
| City Contributions Subsequent to the Measurement Date | 33,248 | - |
| Total | $ 488,695 | $ 398,261 |

The $33,248 reported as deferred outflows of resources related to pensions resulting from City contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| Year Ended September 30, | Amount |
|---|---|
| 2022 | $ 52,807 |
| 2023 | 8,418 |
| 2024 | 6,598 |
| 2025 | 3,368 |
| 2026 | (4,196) |
| Thereafter | (9,810) |

**Note 6 - Employee Retirement Systems and Pension (continued)**

**Actuarial Assumptions**
The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| HIS Actuarial Assumptions | |
|---|---|
| Inflation | 2.40 % per year |
| Salary Increases | 3.25%, Average, Including Inflation |
| Municipal Bond Rate | 2.16% |

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study of the FRS Pension Plan for the period July 1, 2013, through June 30, 2018.

**Discount Rate**
The discount rate used to measure the total pension liability was 2.16% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Pension Liability Sensitivity**
The following presents the City's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| Description | 1% Decrease Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| HIS Plan Discount Rate | 1.16% | 2.16% | 3.16% |
| Council's Proportionate Share of the HIS Plan Net Pension Liability | $ 3,132,457 | $ 2,709,511 | $ 2,363,001 |

## Note 6 - Employee Retirement Systems and Pension (continued)

### Pension Plan Fiduciary Net Position

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

## Note 7 - Deferred Compensation Plan

The City has created a deferred compensation plan which is available to all employees in accordance with Internal Revenue Code 457. The plan is administered by independent plan administrators through applicable service agreements. Various options are available for all City employees.

Certain provisions of the Small Business Job Protection Act of 1996 affect Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets remain assets of the sponsoring government. The Act now requires that amounts deferred under Section 457 be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

## Note 8 - Other Post-Employment Benefits

Effective for the fiscal year ended September 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which supersedes previous accounting and financial reporting guidance for certain postemployment healthcare and life insurance benefits provided by the City.

The City provides, through annual City Council appropriation, health insurance for approximately forty retired employees and their families. The postemployment benefits are accounted for in the general fund on a "pay-as-you-go" basis. The cost for the year ended September 30, 2021, was $350,365. In addition, the City provides health insurance coverage to terminated employees in accordance with the COBRA law. These benefits are provided at no cost to the City, since former employees reimburse the City.

Based on GASB Statement 75, which sets forth the guidelines for the treatment of Other Post-Employment Benefits (OPEB), the City has had an actuarial calculation completed to determine the future funding requirements of these benefits. The actuary's 2021 valuation (calculated as of September 30, 2021) involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. These assumptions include future employment, mortality, future payroll and health care cost trends. The calculation used the entry age normal cost method including normal pension-related actuarial assumptions, health care inflation for Pre-Medicare cost of 7.0% and a Post-Medicare cost of 6.0%, plus a payroll growth inflation assumption of 3%. The calculation amortizes the Unfunded Actuarial Accrued Liability (UAAL) over 30 years.

**Note 8 - Other Post-Employment Benefits (continued)**

The City of Zephyrhills contributes up to 50% of the active health insurance premium for retirees with at least 10 years of service, and who were participating in the City's group insurance plan at the time of retirement. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents, at a cost to the retirees that is no greater than the cost at which coverage is available for active employees. The City currently has no plans to fund the Unfunded Actuarial Accrued Liability (UAAL).

OPEB Plan participants must reimburse the City for the City's average blended cost. Contributions requirements of the City are established and may be amended through action of the Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

At September 30, 2021, the following employees were covered by the benefit terms:

| | |
|---|---|
| Retirees and Beneficiaries Currently Receiving Benefits | 44 |
| Active Employees | 148 |
| | 192 |

**Total OPEB Liability and Changes in Total OPEB Liability**

The measurement date for the City's total OPEB liability was September 30, 2021. The measurement period for OPEB cost was October 1, 2020 to September 30, 2021. The components of the City's net OPEB liability are as follows:

| | | |
|---|---|---|
| Total OPEB Liability | $ | 20,201,000 |
| OPEB Plan Fiduciary Net Position | | - |
| City's Net OPEB Liability | $ | 20,201,000 |
| OPEB Plan Fidicuiary Net Position as a Percentage of Total OPEB Liability | | 0% |

**Note 8 - Other Post-Employment Benefits (continued)**

The components of the changes in the total OPEB liability are as follows:

| Total OPEB Liability | Fiscal Year 2021 |
|---|---|
| Service Cost | $ 632,622 |
| Interest | 424,569 |
| Difference between Expected and Actual Experience | - |
| Change of Assumptions and Other Inputs | 740,402 |
| Benefit Payments | (350,365) |
| Net Change in Total OPEB Liability | 1,447,228 |
| Total OPEB Liability, Beginning | 18,753,832 |
| Total OPEB Liability, Ending | $ 20,201,060 |

Schedule of Deferred Inflows/Outflows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ (10,641,495) |
| Changes of assumptions/inputs | 11,738,638 | (1,167,003) |
| Net difference between projected and actual investments | - | - |
| Total | $ 11,738,638 | $ (11,808,498) |

Amounts reported as deferred outflows of resources and deferred inflows of resources:

| Year Ended September 30, | Amount |
|---|---|
| 2022 | $ 32,055 |
| 2023 | 32,055 |
| 2024 | 32,055 |
| 2025 | 32,055 |
| 2026 | 32,055 |
| Thereafter | (230,135) |

**Note 8 - Other Post-Employment Benefits (continued)**

**Actuarial Assumptions and OPEB liability Sensitivity to Healthcare Trend Rate**
The total OPEB liability reported at September 30, 2021 was based on an actuarial valuation dated October 15, 2021 rolled forward to September 30, 2021 using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 3.0% per annum |
| Discount Rate | 2.15% per annum |
| Salary Increases | 3.5% per annum |
| Mortality Rates | RP-2014 mortality tables |
| Healthcare Trend Rate | Trend starting at 6.0% with .5% decrease per year to final rate of 5.0% |

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease | Current trend Rate | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $17,177,000 | $20,201,000 | $24,476,000 |

**Discount Rate and OPEB Liability Sensitivity to Discount Rate**
The discount rate used to measure the total OPEB liability reported as of September 30, 2021 was 2.15%.

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease | Current trend Rate | 1% Increase |
|---|---|---|---|
| | 1.15% | 2.15% | 3.15% |
| Total OPEB Liability | $24,777,000 | $20,201,000 | $16,701,000 |

## Note 9 – Risk Management

The City is exposed to various risks of losses related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to workers, and natural disasters. The City has chosen to manage these risks through purchases of commercial insurance and participation in the Public Risk Management (PRM) pool. The pool is a protected self-insurance program which has both specific excess insurance for large losses and aggregate excess insurance or stop loss insurance in the event the loss fund is used up because of frequency of losses.

The City has maintained levels of insurance coverage during the current year.

## Note 10 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

## Note 11 – Subsequent Events-COVID

Subsequent events have been evaluated through April 30, 2022, the date the financial statements were available to be issued. In 2021, the continued spread of the COVID-19 pandemic is affecting the United States and may affect the City's operations and those of third parties on which the City relies. While the City does not expect to see a material COVID-19 impact on the results of operations, given the uncertainties surrounding the duration of the outbreak it is not currently possible to ascertain the overall impact of COVID-19. Management is monitoring the situation in order to mitigate any potential impact on the City's operations and financial performance.

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

| Resources (Inflows) | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Taxes** | | | | |
| Ad Valorem | $ 5,054,921 | $ 5,054,921 | $ 4,994,563 | $ (60,358) |
| Communication Services | 480,000 | 480,000 | 630,568 | 150,568 |
| Utility Taxes | 1,802,800 | 1,802,800 | 2,031,087 | 228,287 |
| Business Tax | 62,000 | 62,000 | 100,588 | 38,588 |
| Total Taxes | 7,399,721 | 7,399,721 | 7,756,806 | 357,085 |
| **Licenses and Permits** | | | | |
| Franchise Fees | 1,554,000 | 1,554,000 | 1,550,469 | (3,531) |
| Building Permits | 600,000 | 600,000 | 1,196,335 | 596,335 |
| Other | 28,020 | 28,020 | 27,711 | (309) |
| Total Licenses and Permits | 2,182,020 | 2,182,020 | 2,774,515 | 592,495 |
| **Intergovernmental** | | | | |
| State Revenue Sharing | 500,000 | 500,000 | 509,038 | 9,038 |
| Mobile Home License | 135,000 | 135,000 | 133,373 | (1,627) |
| County Occupational License | 3,500 | 3,500 | - | (3,500) |
| Half-Cent Sales Tax | 930,683 | 930,683 | 1,332,415 | 401,732 |
| Alcoholic Beverage License | 15,000 | 15,000 | 15,094 | 94 |
| Firefighter Supplement | - | - | - | - |
| School District Reimbursement for School Resource Officer | - | - | - | - |
| Federal FEMA Reimbursement | - | - | - | - |
| State FEMA Reimbursement | - | - | - | - |
| Federal Grants | - | - | - | - |
| State Grants | - | - | 1,900 | 1,900 |
| Total Intergovernmental | 1,584,183 | 1,584,183 | 1,991,820 | 407,637 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

| Resources (Inflows) (continued) | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Charges for Services** | | | | |
| Building Administrative | 30,000 | 30,000 | 27,972 | (2,028) |
| Code Enforcement | 14,000 | 14,000 | 7,601 | (6,399) |
| Library | 2,500 | 2,500 | 443 | (2,057) |
| Other | 2,300 | 2,300 | 50,517 | 48,217 |
| Payments in Lieu of Taxes | - | - | - | - |
| Administrative Fees | 15,400 | 15,400 | 70,416 | 55,016 |
| Proprietary Fund Reimbursed | 1,737,898 | 1,737,898 | 1,737,898 | - |
| Total Charges for Services | 1,802,098 | 1,802,098 | 1,894,847 | 92,749 |
| **Fines and Forfeits** | | | | |
| Court Fees | 54,000 | 54,000 | 68,305 | 14,305 |
| Violations of Local Ordinances | - | - | - | - |
| Police Education | - | - | - | - |
| Confiscated Property | - | - | 13,131 | 13,131 |
| Total Fines and Forfeits | 54,000 | 54,000 | 81,436 | 27,436 |
| **Miscellaneous** | | | | |
| Investment Income | 100,000 | 100,000 | 15,293 | (84,707) |
| Cemetery Sales | 25,000 | 25,000 | 67,611 | 42,611 |
| Surplus Property Sold | 11,800 | 11,800 | 45,517 | 33,717 |
| Contributions | - | - | 12,722 | 12,722 |
| Rents | 12,000 | 12,000 | 24,583 | 12,583 |
| FDOT Street Lighting | 29,893 | 29,893 | 30,791 | 898 |
| Other | 50,300 | 50,300 | 94,016 | 43,716 |
| Total Miscellaneous | 228,993 | 228,993 | 290,533 | 61,540 |
| **Other Financing Sources** | | | | |
| City Hall Bond Issue | - | - | - | - |
| Operating Transfers | - | - | - | - |
| Total Other | - | - | - | - |
| **Amounts Available for Appropriation** | $ 13,251,015 | $ 13,251,015 | $ 14,789,957 | $ 1,538,942 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

| Charges to Appropriations Outflows | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **General Government** | | | | |
| City Council | | | | |
| Personnel Services | $ 105,029 | $ 105,029 | $ 111,046 | $ (6,017) |
| Operating | 16,600 | 16,600 | 27,202 | (10,602) |
| Other Services and Charges | - | - | - | - |
| Contributions | 84,000 | 84,000 | 70,000 | 14,000 |
| City Council Total | 205,629 | 205,629 | 208,248 | (2,619) |
| Administration | | | | |
| Personnel Services | 429,653 | 429,653 | 443,656 | (14,003) |
| Operating | 304,700 | 304,700 | 250,493 | 54,207 |
| Contributions | 20,000 | 20,000 | 19,750 | 250 |
| Capital Outlay | - | - | 20,916 | (20,916) |
| Contingencies | 500,000 | 500,000 | - | 500,000 |
| Administration Total | 1,254,353 | 1,254,353 | 734,815 | 519,538 |
| Human Resources | | | | |
| Personnel Services | 831,340 | 831,340 | 810,509 | 20,831 |
| Operating | 841,494 | 841,494 | 831,849 | 9,645 |
| Capital Outlay | - | - | - | - |
| Human Resources Total | 1,672,834 | 1,672,834 | 1,642,358 | 30,476 |
| Finance | | | | |
| Personnel Services | 367,197 | 367,197 | 367,174 | 23 |
| Operating | 52,981 | 52,981 | 54,470 | (1,489) |
| Capital Outlay | 6,700 | 6,700 | 8,042 | (1,342) |
| Finance Total | 426,878 | 426,878 | 429,686 | (2,808) |
| Information Technology | | | | |
| Personnel Services | 272,463 | 272,463 | 292,079 | (19,616) |
| Operating | 344,117 | 344,117 | 284,143 | 59,974 |
| Capital Outlay | 14,000 | 14,000 | 11,143 | 2,857 |
| Information Technology Total | 630,580 | 630,580 | 587,365 | 43,215 |
| Economic Development | | | | |
| Operating | 55,000 | 55,000 | 50,000 | 5,000 |
| Grants | 15,000 | 15,000 | - | 15,000 |
| Economic Development Total | 70,000 | 70,000 | 50,000 | 20,000 |
| Planning | | | | |
| Personnel Services | 351,607 | 351,607 | 357,157 | (5,550) |
| Operating | 95,125 | 95,125 | 79,204 | 15,921 |
| Reserve | - | - | - | - |
| Planning Total | 446,732 | 446,732 | 436,361 | 10,371 |
| Total General Government | 4,707,006 | 4,707,006 | 4,088,833 | 618,173 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

| Charges to Appropriations Outflows (continued) | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Public Safety** | | | | |
| Police Dispatch | | | | |
| Personnel Services | 589,364 | 589,364 | 555,502 | 33,862 |
| Other Services and Charges | 3,200 | 3,200 | 3,260 | (60) |
| Capital Outlay | - | - | - | - |
| Police Dispatch Total | 592,564 | 592,564 | 558,762 | 33,802 |
| Police Department | | | | |
| Personnel Services | 3,403,711 | 3,403,711 | 3,478,752 | (75,041) |
| Operating | 548,001 | 548,001 | 493,372 | 54,629 |
| Other Services and Charges | - | - | - | - |
| Capital Outlay | 59,969 | 59,969 | 22,451 | 37,518 |
| Police Department Total | 4,011,681 | 4,011,681 | 3,994,575 | 17,106 |
| Fire Department | | | | |
| Personnel Services | 496,522 | 496,522 | 139,000 | 357,522 |
| Operating | 1,793,869 | 1,793,869 | 1,760,902 | 32,967 |
| Capital Outlay | - | - | - | - |
| Other Services and Charges | - | - | - | - |
| Fire Department Total | 2,290,391 | 2,290,391 | 1,899,902 | 390,489 |
| Protective Inspections | | | | |
| Personnel Services | 625,157 | 625,157 | 615,090 | 10,067 |
| Operating | 46,500 | 46,500 | 94,713 | (48,213) |
| Capital Outlay | 30,000 | 30,000 | 25,803 | 4,197 |
| Protective Inspections Total | 701,657 | 701,657 | 735,606 | (33,949) |
| Public Safety Total | 7,596,293 | 7,596,293 | 7,188,845 | 407,448 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

| Charges to Appropriations Outflows (continued) | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Public Works** | | | | |
| Stormwater Management | | | | |
| Operating | 233,500 | 233,500 | 98,378 | 135,122 |
| Capital Outlay | - | - | - | - |
| Stormwater Management Total | 233,500 | 233,500 | 98,378 | 135,122 |
| Public Works Administration Road and Street Facilities | | | | |
| Personnel Services | 621,729 | 621,729 | 627,978 | (6,249) |
| Operating | 340,600 | 340,600 | 252,077 | 88,523 |
| Capital Outlay | 25,000 | 25,000 | - | 25,000 |
| Street Facilities Total | 987,329 | 987,329 | 880,055 | 107,274 |
| Equipment Maintenance | | | | |
| Personnel Services | 243,084 | 243,084 | 236,392 | 6,692 |
| Operating | 38,125 | 38,125 | 30,423 | 7,702 |
| Capital Outlay | 27,000 | 27,000 | 3,689 | 23,311 |
| Equipment Maintenance Total | 308,209 | 308,209 | 270,504 | 37,705 |
| Parks and Facility Management | | | | |
| Personnel Services | 738,610 | 738,610 | 668,938 | 69,672 |
| Operating | 264,750 | 264,750 | 202,520 | 62,230 |
| Other Services and Charges | - | - | - | - |
| Capital Outlay | 51,000 | 51,000 | 159,442 | (108,442) |
| Parks and Facility Management Total | 1,054,360 | 1,054,360 | 1,030,900 | 23,460 |
| Public Works Total | 2,583,398 | 2,583,398 | 2,279,837 | 303,561 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

| Charges to Appropriations Outflows (continued) | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Library** | | | | |
| Personnel Services | 309,065 | 309,065 | 286,067 | 22,998 |
| Operating | 54,860 | 54,860 | 44,076 | 10,784 |
| Other Services and Charges | 37,961 | 37,961 | - | 37,961 |
| Capital Outlay | 22,000 | 22,000 | 26,281 | (4,281) |
| Library Total | 423,886 | 423,886 | 356,424 | 67,462 |
| **Transfers** | | | | |
| Transfers to other Funds | 18,740 | 18,740 | 18,740 | - |
| Total Transfers | 18,740 | 18,740 | 18,740 | - |
| Total Charges to Appropriations | 15,329,323 | 15,329,323 | 13,932,679 | 1,396,644 |
| Excess (Deficiency) of Resources and Fund Transfers Over Charges to Appropriations | (2,078,308) | (2,078,308) | 857,278 | 142,298 |
| Fund Balance - Beginning of Year | 2,078,308 | 2,078,308 | 6,110,686 | (4,032,378) |
| **Fund Balance - End of Year** | $ - | $ - | $ 6,967,964 | $ (3,890,080) |

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures Sources/Inflows of Resources

| | |
|---|---|
| Actual amounts (budgetary basis) "available for appropriation" from the Budgetary comparison schedule. | $ 14,789,957 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | - |
| Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. | $ 14,789,957 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

| | | |
|---|---|---|
| Actual amounts (budgetary basis) of charges to appropriations from the budgetary comparison schedule | $ | 13,932,679 |
| Differences - budget to GAAP: | | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | | 18,740 |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - General Fund | $ | 13,913,939 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended September 30, 2021

| Resources (Inflows) | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| Intergovernmental | | | | |
| Motor Fuel Taxes | $ 181,831 | $ 181,831 | $ 486,109 | $ 304,278 |
| Local Option Sales Tax | 2,095,817 | 2,095,817 | 2,855,464 | 759,647 |
| 8th Cent Motor Fuel Tax | 253,872 | 253,872 | 169,680 | (84,192) |
| Federal Grants | - | - | 4,121,024 | 4,121,024 |
| Other Grants | - | - | 85,000 | 85,000 |
| Gas Tax Refund | 20,000 | 20,000 | 22,124 | 2,124 |
| Total Intergovernmental | 2,551,520 | 2,551,520 | 7,739,401 | 5,187,881 |
| Miscellaneous | | | | |
| Investment Income | 20,000 | 20,000 | 11,459 | (8,541) |
| Insurance Proceeds | - | - | 20,845 | 20,845 |
| Total Miscellaneous | 20,000 | 20,000 | 32,304 | 12,304 |
| Amount Available for Appropriation | 2,571,520 | 2,571,520 | 7,771,705 | 5,200,185 |
| **Charges to Appropriations (Outflows)** | | | | |
| Expenditures | | | | |
| Debt Service | 590,427 | 590,427 | 590,427 | - |
| Professional Services | - | - | 1,100,000 | (1,100,000) |
| Contractual Services | - | - | 75,000 | (75,000) |
| Capital Outlay | 3,425,921 | 3,425,921 | 1,608,902 | 1,817,019 |
| Transfers to Other Funds | - | - | - | - |
| Contingency | - | - | - | - |
| Reserves | 3,198,940 | 3,198,940 | - | 3,198,940 |
| Total Expenditures | 7,215,288 | 7,215,288 | 3,374,329 | 3,840,959 |
| Excess (Deficiency) of Resources over Charges to Appropriations | (4,643,768) | (4,643,768) | 4,397,376 | 9,041,144 |
| Fund Balance at Beginning of Year | 4,643,768 | 4,643,768 | 5,956,291 | 1,312,523 |
| **Fund Balance at End of Year** | $ - | $ - | $ 10,353,667 | $ 10,353,667 |

Explanation of Differences Between Budgetary Outflows and GAAP Expenditures

| | |
|---|---|
| Uses/Outflows of Resources | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 3,374,329 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | - |
| Total expenditures as reported on the statement of revenue, expenditures and change in fund balances - Special Revenue Fund | $ 3,374,329 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - CRA Fund
For the Year Ended September 30, 2021

| | Budgeted Amount | | Actual Amounts Budgetary | Variance with Final Budget Positive |
|---|---|---|---|---|
| **Resources (Inflows)** | Original | Final | Basis | (Negative) |
| Taxes | | | | |
| Ad Valorem City | $ 194,254 | $ 194,254 | $ 194,254 | $ - |
| Ad Valorem County | 232,216 | 232,216 | 234,376 | 2,160 |
| Total Taxes | 426,470 | 426,470 | 428,630 | 2,160 |
| Miscellaneous | | | | |
| Interest Income | 600 | 600 | 2,747 | 2,147 |
| Total Miscellaneous | 600 | 600 | 2,747 | 2,147 |
| Amount Available for Appropriation | 427,070 | 427,070 | 431,377 | 4,307 |
| **Charges to Appropriations (Outflows)** | | | | |
| Expenditures - Other Economic Environment | | | | |
| Personnel Services | 104,529 | 104,529 | 105,058 | (529) |
| Professional Services | 51,665 | 51,665 | 8,628 | 43,037 |
| Contractural Services | 74,000 | 74,000 | 58,601 | 15,399 |
| Promotional Activities | 10,000 | 10,000 | 5,552 | 4,448 |
| Office Supplies | 500 | 500 | 181 | 319 |
| Operating Supplies | 2,000 | 2,000 | 335 | 1,665 |
| Telephone and Communications | 2,200 | 2,200 | 3,319 | (1,119) |
| Training and Dues | 2,250 | 2,250 | 1,438 | 812 |
| Incentives | 180,000 | 180,000 | 35,079 | 144,921 |
| Building Facade Grants | 100,000 | 100,000 | 18,922 | 81,078 |
| Refuse Removal | 100 | 100 | 489 | (389) |
| Transfers to Other Fund | - | - | - | - |
| Contingency and Reserves | - | - | - | - |
| Total General Government | 527,244 | 527,244 | 237,602 | 289,642 |
| Expenditures - Debt Service | | | | |
| Debt Principal and Intrerest | - | - | - | - |
| Total Debt Service | - | - | - | - |
| Expenditures - Capital Outlay | 50,000 | 50,000 | 21,480 | 28,520 |
| Total Charges to Appropriations (Outflows) | 577,244 | 577,244 | 259,082 | 318,162 |
| Excess (Deficiency) of Resources over Charges to Appropriations | (150,174) | (150,174) | 172,295 | 322,469 |
| Fund Balance at Beginning of Year | 150,174 | 150,174 | 226,701 | 76,527 |
| **Fund Balance at End of Year** | $ - | $ - | $ 398,996 | $ 398,996 |

Explanation of Differences Between Budgetary Outflows and GAAP Expenditures

| | |
|---|---|
| Uses/ Outflows of Resources | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 259,082 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | - |
| Total expenditures as reported on the statement of revenue, expenditures and change in fund balances - Community Reinvestment Area Fund | $ 259,082 |

# City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - Impact Fee Fund
For the Year Ended September 30, 2021

| | Budgeted Amount | | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **Resources (Inflows)** | Original | Final | Budgetary Basis | Positive (Negative) |
| Impact Fees | | | | |
| Transportation Impact Fees | $ 825,000 | $ 825,000 | $ 1,666,245 | $ 841,245 |
| Police Impact Fees | 60,000 | 60,000 | 127,431 | 67,431 |
| Fire Impact Fees | - | - | 11,739 | 11,739 |
| Park and Cultural Impact Fees | 200,000 | 200,000 | 291,636 | 91,636 |
| Total Impact Fees | 1,085,000 | 1,085,000 | 2,097,051 | 1,012,051 |
| Miscellaneous | | | | |
| State Contribution Pretty Pond | 2,300,000 | 2,300,000 | - | (2,300,000) |
| Interest Income | 8,200 | 8,200 | 7,896 | (304) |
| Total Miscellaneous | 2,308,200 | 2,308,200 | 7,896 | (2,300,304) |
| Amount Available for Appropriation | 3,393,200 | 3,393,200 | 2,104,947 | (1,288,253) |
| **Charges to Appropriations (Outflows)** | | | | |
| Expenditures - Public Works Roads and Streets | | | | |
| Capital Outlay | 2,850,000 | 2,850,000 | 2,015,701 | 834,299 |
| Transfer to Other Fund | - | - | - | - |
| Contingency | 2,780,000 | 2,780,000 | - | 2,780,000 |
| Public Works Total | 5,630,000 | 5,630,000 | 2,015,701 | 3,614,299 |
| Expenditures - Public Safety | | | | |
| Capital Outlay | 261,000 | 261,000 | - | 261,000 |
| Transfer to Other Fund | - | - | - | - |
| Contingency | - | - | - | - |
| Total Public Safety | 261,000 | 261,000 | - | 261,000 |
| Expenditures - Parks and Recreation | | | | |
| Capital Outlay | 400,200 | 400,200 | - | 400,200 |
| Transfer to Other Fund | - | - | - | - |
| Contingency | - | - | - | - |
| Total Parks and Recreation | 400,200 | 400,200 | - | 400,200 |
| Total Charges to Appropriations | 6,291,200 | 6,291,200 | 2,015,701 | 4,275,499 |
| Excess (Deficiency) of Resources over Charges to Appropriations | (2,898,000) | (2,898,000) | 89,246 | (2,987,246) |
| Fund Balance at Beginning of Year | 2,898,000 | 2,898,000 | 3,250,197 | (3,948,804) |
| **Fund Balance at End of Year** | $ - | $ - | $ 3,339,443 | $ (6,936,050) |

Explanation of Differences Between Budgetary Outflows and GAAP Expenditures

| | |
|---|---|
| Uses/ Outflows of Resources | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 2,015,701 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | - |
| Total expenditures as reported on the statement of revenue, expenditures and change in fund balances - Impact Fee Fund | $ 2,015,701 |

# City of Zephyrhills, Florida

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended September 30, 2021

| Florida Retirement System Pension Plan | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| City's Proportion of the Net Pension Liability | 0.000295446% | 0.037913305% | 0.036896700% | 0.038666806% | 0.037380409% | 0.002149501% | 0.030772788% |
| City's Proportionate Share of the Net Pension Liability | $ 2,231,758 | $ 16,432,185 | $ 12,706,073 | $ 11,646,642 | $ 11,056,874 | $ 8,749,305 | $ 3,974,718 |
| City's Covered-Employee Payroll | $ 7,819,873 | $ 8,554,108 | $ 7,115,483 | $ 7,200,895 | $ 6,827,988 | $ 6,128,532 | $ 5,705,626 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 28.54% | 192.10% | 178.57% | 161.74% | 161.93% | 142.76% | 69.66% |
| Plan Fiduciary Net Position as a Percentage of the total Pension Lia | 96.40% | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% |

Note: The amounts presented for each fiscal year were determined as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

| Retiree Health Insurance Subsidy Program | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| City's Proportion of the Net Pension Liability | 0.002208870% | 0.024758627% | 0.024150400% | 0.024733200% | 2.382665900% | 0.003005484% | 0.021462044% |
| City's Proportionate Share of the Net Pension Liability | $ 2,709,511 | $ 3,022,988 | $ 2,702,188 | $ 2,617,787 | $ 2,547,656 | $ 2,585,031 | $ 2,188,791 |
| City's Covered-Employee Payroll | $ 7,819,873 | $ 8,772,802 | $ 8,117,769 | $ 8,081,312 | $ 7,613,600 | $ 6,847,236 | $ 6,511,208 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 34.65% | 35.34% | 33.29% | 32.39% | 33.46% | 37.75% | 33.62% |
| Plan Fiduciary Net Position as Percentage of the total Pension Liabil | 3.56% | 3.00% | 1.70% | 2.15% | 1.64% | 0.97% | 0.50% |

Note: The amounts presented for each year were determined as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information only for those years for which information is available.

# City of Zephyrhills, Florida

Required Supplementary Information
Schedule of Contributions
For the Year Ended September 30, 2021

| Florida Retirement System Pension Plan | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 1,069,002 | $ 1,292,889 | $ 1,161,824 | $ 1,134,207 | $ 982,209 | $ 921,616 | $ 773,394 |
| Contributions in Relation to the Contractually Required Contribution | (1,069,002) | (1,292,889) | (1,161,824) | (1,134,207) | (982,209) | (921,616) | (773,394) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| City's Covered-Employee Payroll | $ 7,463,820 | $ 8,554,108 | $ 7,085,667 | $ 7,167,015 | $ 6,951,887 | $ 6,573,547 | $ 5,812,778 |
| Contributions as a Percentage of Covered Employee Payroll | 14.32% | 15.11% | 16.40% | 15.83% | 14.13% | 14.02% | 13.31% |

Note: The amounts presented for each fiscal year were determined as of September 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

| Retiree Health Insurance Subsidy Program | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 123,905 | $ 145,634 | $ 134,842 | $ 134,178 | $ 128,676 | $ 121,021 | $ 89,615 |
| Contributions in Relation to the Contractually Required Contribution | (123,905) | (145,634) | (134,842) | (134,178) | (128,676) | (121,021) | (89,615) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| City's Covered-Employee Payroll | $ 7,463,820 | $ 8,772,802 | $ 8,124,755 | $ 8,084,233 | $ 7,768,892 | $ 7,288,794 | $ 6,623,826 |
| Contributions as a Percentage of Covered Employee Payroll | 1.66% | 1.66% | 1.66% | 1.66% | 1.66% | 1.66% | 1.35% |

Note: The amounts presented for each fiscal year were determined as of September 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

# City of Zephyrhills, Florida

Required Supplementary Information
Schedule of Changes in Total OPEB Liability
For the Year Ended September 30, 2021

| Total OPEB Liability | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Service Cost | $ 632,622 | $ 618,943 | $ 579,239 | $ 681,663 |
| Interest | 424,569 | 941,132 | 677,932 | 615,978 |
| Difference between Expected and Actual Experience | - | (12,440,057) | - | - |
| Change of Assumptions and Other Inputs | 740,402 | 8,211,226 | 5,288,121 | (1,710,646) |
| Benefit Payments | (350,365) | (309,960) | (444,917) | (484,424) |
| Net Change in Total OPEB Liability | 1,447,228 | (2,978,716) | 6,100,375 | (897,429) |
| Total OPEB Liability, Beginning | 18,753,832 | 21,732,548 | 15,632,173 | 16,529,602 |
| Total OPEB Liability, Ending | $ 20,201,060 | $ 18,753,832 | $ 21,732,548 | $ 15,632,173 |
| Covered Employee Payroll | $ 9,956,000 | $ 9,618,959 | $ 7,005,364 | $ 6,768,468 |
| Total OPEB liability as a percentage of covered employee payroll | 203% | 195% | 310% | 231% |

Note: The amounts presented for each fiscal year were determined as of September 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

# City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Utility Fund Schedule of Operating Income (Loss)
For the Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Revenues** | | |
| Installation Fees | $ 419,918 | $ 244,368 |
| Water and Sewer Service | 10,623,809 | 9,194,660 |
| Miscellaneous Revenues | 62,165 | 190,684 |
| Total Revenues | 11,105,892 | 9,629,712 |
| **Operating Expenses** | | |
| Administration | | |
| Salaries | 305,775 | 294,784 |
| Employee Benefits | 163,830 | 134,620 |
| Professional Services | 1,021,147 | 1,165,199 |
| Education, Travel and Dues | 2,732 | 2,794 |
| Telephone | 1,842 | 2,367 |
| Office Supplies and Expenses | 1,481 | 2,659 |
| Operating Supplies | 484 | 857 |
| Leases and Rents | 2,572 | 2,592 |
| Vehicle and Equipment Repair | 280 | 281 |
| Gas and Oil | 222 | 32,035 |
| Other | 918 | 2,707 |
| Depreciation | 15,232 | 4,270 |
| Administration Allocation from General Fund | 1,237,898 | 1,037,026 |
| Administration Allocation from Airport Fund | 176,850 | 176,850 |
| Other Expense Transfer to General Fund | - | - |
| Payment in Lieu of Taxes to General Fund | - | - |
| Total Expenses - Administration | 2,931,263 | 2,859,041 |

# City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Utility Fund Schedule of Operating Income (Loss) (continued)
For the Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Operating Expenses (continued)** | | |
| Water Department | | |
| Salaries | 437,549 | 431,249 |
| Overtime | 34,553 | 29,405 |
| Employee Benefits | 444,517 | 377,004 |
| Professional Services | 141,789 | 114,906 |
| Water Tank Maintenance | 23,832 | 22,590 |
| Property Tax | 78 | - |
| Education, Travel and Dues | 5,766 | 7,925 |
| Telephone | 15,104 | 14,239 |
| Electric | 118,810 | 110,206 |
| Other Utility Charges | 1,845 | 2,405 |
| Leases and Rentals | 385 | 518 |
| Repairs and Maintenance - Building | 1,945 | 5,971 |
| Repairs and Maintenance - Equipment | 5,691 | 20,220 |
| Repairs and Maintenance - Vehicles | 13,190 | 15,910 |
| Small Tools | 5,490 | 9,438 |
| Operating Supplies | 34,008 | 29,531 |
| Office Supplies and Postage | 1,710 | 134 |
| Uniforms | 2,944 | 2,434 |
| Chemicals and Chlorine Gas | 16,340 | 18,262 |
| Laboratory Analysis | 8,178 | 11,905 |
| Gas and Oil | 29,498 | 22,047 |
| Depreciation | 1,255,457 | 1,213,340 |
| Other | 450 | 9,007 |
| Total Expenses - Water Department | 2,599,129 | 2,468,646 |

# City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Utility Fund Schedule of Operating Income (Loss) (continued)
For the Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Operating Expenses (Continued)** | | |
| Sewer Department | | |
| Salaries | 504,492 | 537,179 |
| Overtime | 80,069 | 58,785 |
| Employee Benefits | 411,372 | 353,811 |
| Professional Services | 18,425 | 15,700 |
| Education, Travel and Dues | 7,241 | 6,751 |
| Telephone | 11,391 | 11,546 |
| Contract Hauling | 85,659 | 92,504 |
| Electric | 348,839 | 336,933 |
| Other Utility Charges | 9,562 | 8,310 |
| Repairs and Maintenance - Building | 5,281 | 9,116 |
| Repairs and Maintenance - Equipment | 73,619 | 112,015 |
| Repairs and Maintenance - Vehicles | 13,278 | 15,370 |
| Repairs and Maintenance - Infrastructure | 73,397 | 35,321 |
| Small Tools | 3,252 | 5,806 |
| Operating Supplies | 29,935 | 28,540 |
| Office Supplies and Postage | 961 | 545 |
| Uniforms | 3,633 | 2,753 |
| Chemicals and Chlorine Gas | 178,520 | 146,143 |
| Laboratory Analysis | 18,431 | 18,735 |
| Gas and Oil | 25,701 | 19,956 |
| Depreciation | 1,998,055 | 1,611,851 |
| Other | 3,417 | 1,531 |
| Total Expenses - Sewer Department | 3,904,530 | 3,429,201 |
| Total Operating Expenses | 9,434,922 | 8,756,888 |
| **Total Operating Income (Loss)** | $ 1,670,970 | $ 872,824 |

# City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Sanitation Fund Schedule of Operating Income (Loss)
For the Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Revenues** | | |
| Service | $ 1,795,108 | $ 1,577,936 |
| Miscellaneous Revenues | 21,498 | 17,295 |
| Total Operating Revenues | 1,816,606 | 1,595,231 |
| **Operating Expenses** | | |
| Salaries | 405,495 | 399,355 |
| Overtime | 20,275 | 22,315 |
| Employee Benefits | 285,123 | 214,383 |
| Education, Travel and Dues | 1,508 | 60 |
| Telephone | 2,552 | 2,517 |
| Landfill Fees | 21,807 | 23,187 |
| Repairs and Maintenance - Vehicles | 117,650 | 140,611 |
| Repairs and Maintenance - Equipment | 8,012 | 2,896 |
| Refuse Removal | - | - |
| Dumpsters and Recycle Bins | 26,549 | 25,638 |
| Operating Supplies | 8,068 | 12,933 |
| Gas and Oil | 98,422 | 147,738 |
| Depreciation | 278,113 | 270,295 |
| Professional Services | 19,093 | 6,000 |
| Tools, Small Equipment | 1,504 | 82 |
| Uniforms | 3,460 | 2,909 |
| Other | 4,682 | 424 |
| Administrative Expense Allocation from General Fund | 480,000 | 701,258 |
| Administrative Expense Allocation from Airport Fund | 31,440 | - |
| Payment in Lieu of Taxes to General Fund | - | - |
| Total Operating Expenses | 1,813,753 | 1,972,601 |
| **Total Operating Income (Loss)** | $ 2,853 | $ (377,370) |

# City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Airport Fund Schedule of Operating Income (Loss)
For the Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Revenues** | | |
| Rental Income | $ 261,593 | $ 258,208 |
| Tie-Downs | 11,118 | 9,812 |
| Fuel and Oil Sales | 655,129 | 546,329 |
| Hangar Rental | 484,649 | 452,902 |
| Fuel Flowage Fees | 3,966 | 3,963 |
| Miscellaneous | 44,776 | 24,312 |
| Charges to Other Funds | 227,030 | 176,850 |
| Total Operating Revenues | 1,688,261 | 1,472,376 |
| **Operating Expenses** | | |
| Professional Services | 2,300 | 2,700 |
| Administration Allocation from General Fund | 20,000 | 20,000 |
| Salaries | 268,291 | 252,740 |
| Overtime | 7,408 | 6,176 |
| Employee Benefits | 209,510 | 168,100 |
| Credit Card Processing | 29,875 | 25,839 |
| Advertising | 415 | 143 |
| Education, Travel and Dues | 583 | 676 |
| Telephone | 4,835 | 4,755 |
| Electricity | 23,137 | 22,525 |
| Water and Sewer | 5,625 | 5,262 |
| Refuse Disposal | 572 | 743 |
| Repairs and Maintenance - Vehicles | 1,229 | 1,408 |
| Repairs and Maintenance - Building | 6,283 | 6,991 |
| Repairs and Maintenance - Equipment | 16,469 | 14,148 |
| Repairs and Maintenance - Infrastructure | 11,004 | 12,030 |
| Gas and Oil for Resale | 493,996 | 459,015 |
| Vehicle Expense Gas and Oil | 9,921 | 12,223 |
| Operating Supplies | 3,905 | 4,542 |
| Office Supplies | 584 | 540 |
| Other Expenses | 18,465 | 3,954 |
| Depreciation | 953,370 | 986,122 |
| Total Operating Expenses | 2,087,777 | 2,010,632 |
| **Total Operating Income (Loss)** | $ (399,516) | $ (538,256) |

# City of Zephyrhills, Florida

Other Reports and Schedules of Independent Auditors
Schedule of Federal and State Financial Assistance
For the Year Ended September 30, 2021

| Program Name | Federal CFDA No./State CSFA No. | Contract Number | Expenditures | |
|---|---|---|---|---|
| **Federal** | | | | |
| Federal Aviation Administration<br>Taxiway A Rehab Project | CFDA 20.106 | 3-12-0089-019-2020 | 262,204 | |
| Federal Aviation Administration | CFDA 20.106 | 2021-CESF-PASC-3-C9-157 | 69,000 | |
| CARES Act | | Subtotal CFDA 20.106 | 331,204 | |
| | Total Federal Expenditures: | | $ 331,204 | |
| **State of Florida** | | | | |
| Florida Department of Transportation - Joint Participation Zephyrhills Municipal Airport<br>Rotating Airfield Beacon | CSFA 55.004 | 440576-1-94-01 G1668 | 177,695 | |
| Florida Department of Transportation - Joint Participation Zephyrhills Municipal Airport<br>Fuel Farm Design Build | CSFA 55.004 | 435216-1-94-01 G1E08 | 159,798 | |
| Florida Department of Transportation - Joint Participation Zephyrhills Municipal Airport<br>Runway 1-19 Extension | CSFA 55.004 | 443359-1-94-01 GOZ22 | 993,933 | |
| | | Sub Total: CSFA 55.004 | 1,331,426 | * |
| Florida Department of Environmental Protection<br>Advanced Wastewater Treatment<br>Reclaimed Water (Clean Water SRF) | CSFA 37.052 | LP51052 | 537,461 | |
| Florida Department of Transportation-Joint Participation City of Zephyrhills<br>US 301 & Pretty Pond Intersection | CSFA 55.039 | Q1Q12 | 1,949,744 | * |
| Florida Department of Environmental Protection<br>Advanced Wastewater Treatment<br>Reclaimed Water (Clean Water SRF) | CSFA 37.077 | SRL WW510531 | 3,815,255 | * |
| Florida Department of Economic Opportunity<br>Competitive Florida Partnership<br>Economic Development & Disaster Resiliency Plan | CSFA 40.024 | PO405 | 1,900 | |
| | Total State of Florida Expenditures: | | $ 7,635,786 | |
| | Total Federal and State Expenditures: | | $ 7,966,990 | |

*Audited as major program

The accompanying notes are an integral part of this schedule.

# City of Zephyrhills, Florida

Other Reports and Schedules of Independent Auditors
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2021

## Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the City of Zephyrhills, Florida, under programs of the federal and state governments for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. code of *Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Rules of the Auditor General* of the State of Florida. Because the Schedule presents only a selected portion of the operations of the City of Zephyrhills, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Zephyrhills.

## Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. There were no amounts passed through to other entities during the year.

## Note 3 - Indirect Cost Rate

The City of Zephyrhills has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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Zephyrhills, FL 33542

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**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 City Council of Zephyrhills
Zephyrhills, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Zephyrhills, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Zephyrhills basic financial statements, and have issued our report thereon dated April 30, 2022.

**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 of Zephyrhills, Florida's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 of Zephyrhills, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of the Report

This report is intended 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bodine Perry PLLC
Zephyrhills, FL
April 30, 2022

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## Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance and Chapter 10.650 Rules of the Auditor General

### Independent Auditors' Report

Honorable City Council of Zephyrhills
Zephyrhills, Florida

### Report on Compliance for Each Major Federal and State Program

We have audited City of Zephyrhills' (the City), compliance with the types of compliance requirements described in the Uniform Guidance *Compliance Supplement* that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2021. The City's major federal and state programs 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 Federal and State statutes, regulations, contracts and grants applicable to its federal and state programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs 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, the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650 Rules of the Auditor General, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Florida Single Audit Act.* Those standards and Uniform Guidance 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 federal or state program 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 federal and state program; however, our audit does not provide a legal determination of the City's compliance.

### Opinion on Each Major Federal and State Program

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 federal and state programs for the year ended September 30, 2021.

## 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 each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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.

## Purpose of This Report

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 Uniform Guidance and Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, others within the entity, the City Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bodine Perry

Bodine Perry PLLC
Zephyrhills, FL
April 30, 2022

# City of Zephyrhills, Florida

Other Reports and Schedules of Independent Auditors
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

## Section I – Summary of Auditors' Results

*Financial Statements*

| | |
|---|---|
| Type of Auditors' Report Issued: | Unqualified |
| Internal Control over financial reporting: | No |
| - Material Weakness(es) identified? | No |
| - Significant Weakness(es) identified? | No |
| Noncompliance material to financial statements noted? | No |

*Federal and State Program Awards*

| | |
|---|---|
| Internal Control over major programs: | |
| - Material Weakness(es) identified? | No |
| - Significant Weakness(es) identified? | No |
| Type of auditors' report issued on compliance for major federal and state programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of *Uniform Guidance and Chapter 10.656 Rules Of the Auditor General* | No |

# City of Zephyrhills, Florida

Other Reports and Schedules of Independent Auditors
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

## Section I – Summary of Auditors' Results (continued)

Identification of Major Programs

**Federal:**

| CFDA Number | Name of Federal Projects |
|---|---|
| No federal major programs. | |

Dollar threshold used to distinguish between type A and type B programs for federal programs: $750,000

**State:**

| CSFA Number | Name of State Projects |
|---|---|
| 37.077 | Florida Department of Environmental Protection<br>Wastewater Treatment Improvement and Reclaimed Water Main System Expansion |
| 55.004 | Florida Department of Transportation<br>Runway 1-19 Expansion, Fuel Farm Design, Rotating Airfield Beacon |
| 55.039 | Florida Department of Transportation<br>Joint participation - City of Zephyrhills |

Dollar threshold used to distinguish between type A and type B programs for state programs: $750,000

Auditee qualified as a low risk auditee? No

## Section II – Financial Statement Findings

None

## Section III – Federal and State Awards Findings and Questioned Costs

None

## Section IV – Schedule of Prior Year Findings Federal and State Projects

There were no prior audit findings related to Federal or State projects in the prior year.

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**Independent Accountants' Report on Compliance With Section 218.415, Florida Statutes**

Honorable City Council
City of Zephyrhills
Zephyrhills, Florida

We have examined the City of Zephyrhills, Florida's (the City) compliance with Section 218.415, Florida Statutes regarding the investment of public funds during the period ended September 30, 2021, as required by Section 10.556, *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 (AICPA) 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 of 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, 2021.

This report 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, the City, its management, and is not intended to be and should not be used by anyone other than these specified parties. However, this letter is a matter of public record and its distribution is not limited.

Bodine Perry

Bodine Perry PLLC
Zephyrhills, FL
April 30, 2022

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## Management Letter

Honorable City Council
City of Zephyrhills
Zephyrhills, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Zephyrhills, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated April 30, 2022.

### 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; Uniform Guidance and Chapter 10.650 Rules of the Auditor General, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

### Other Report and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and 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. Disclosures in those reports and schedule, which are dated April 30, 2022, 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. The City of Zephyrhills, Florida, was incorporated pursuant to Florida Legislature Spec. Acts 1925, Chap. 11327, Sec. 1, as amended by Spec. Acts 1927, Chap. 13564, Sec 1. The City of Zephyrhills has no component units. The City operates under a Council-Manager form of government.

## Financial Condition

Sections 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 or not the City of Zephyrhills has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Zephyrhills did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 of Zephyrhills 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.

## Annual Financial Report

Sections 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 Zephyrhills for the fiscal year ended September 30, 2021, 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, 2021. 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 did not have any such 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.

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

Bodine Perry

Bodine Perry PLLC
Zephyrhills, FL
April 30, 2022