

CITY OF LAKE CITY, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019



MAYOR AND CITY COUNCIL

Stephen Witt
Mayor

Jake Hill
Councilmember

Melinda Moses
Councilmember

Eugene Jefferson
Councilmember

Chris Greene
Councilmember

APPOINTED OFFICIALS

City Manager
Joseph Helfenberger

Finance Director
Donna Duncan

City Attorney
Fred Koberlein

City Clerk
Audrey Sikes

Table of Contents

Financial Section

Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 14
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements	
Balance Sheet—Governmental Funds	18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fire Department Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Redevelopment Agency Fund	24
Statement of Net Position – Proprietary Funds.....	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Position – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	29
Notes to Financial Statements	30 - 64
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios.....	66
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees' Plan	67
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers' Plan	68
Schedule of Changes in Net Pension Liability and Related Ratios – Firemen's Plan.....	69
Schedule of Contributions – General Employees' Plan	70
Schedule of Contributions – Police Officers' Plan	71
Schedule of Contributions – Firemen's Plan.....	72
Schedules of Investment Returns	73
Schedules of Proportionate Share of NPL – FRS/HIS	74
Schedules of Schedule of Contributions – FRS/HIS.....	75

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds 77
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds 78
Schedule of Net Revenues and Debt Service Coverage – Utility System Revenue
and Refunding Bonds Series 2010, Series 2013, and Series 2016 Rate Covenant..... 79

Single Audit

Schedule of Expenditures of Federal Awards and State Financial Assistance 80
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance 81
Schedule of Findings and Questioned Costs..... 82 - 83
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report
on Internal Control Over Compliance in Accordance with the Uniform Guidance and
Chapter 10.550, Rules of the Auditor General 84 - 85

Other Reports

Independent Auditors’ Report on Internal Control over Financial Reporting and On Compliance
and Other Matters Based on an Audit of Financial Statements in Accordance with
Government Auditing Standards 86 - 87
Independent Auditors’ Management Letter Required by Chapter 10.550,
Rules of the State of Florida Office of the Auditor General 88 - 89
Independent Accountants’ Examination Report..... 90
Impact Fee Affidavit 91
Summary Schedule of Prior Audit Findings 92
Auditee’s Response..... 93

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida (the City), as of and for the year ended September 30, 2019, 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

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

Auditors' Responsibility

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

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

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

- 1 -

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Fire Department, and the Community Redevelopment Agency funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

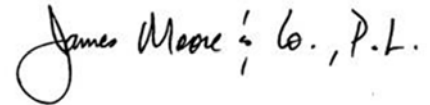
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor fund financial statements, schedule of net revenues and debt service coverage, and schedule of expenditures of federal awards and state financial assistance as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Florida Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of net revenues and debt service coverage, and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 June 26, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, professional style.

Gainesville, Florida
June 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. Management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$92,716,304. Of this amount, \$12,776,632 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,703,034. Government activities generated an increase of \$5,739,669 in net assets while the business type activities decreased \$1,036,635.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$13,918,728. Of this total amount \$12,349,309 is available for spending at the City's discretion (unassigned fund balance).

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business, 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Government-Wide Financial Statements (Concluded)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highway and streets, airport, physical environment, economic environment, culture and recreation, and health and welfare. Property taxes, utility service taxes, gas taxes, and sales taxes, along with the City's charges for services and interfund charges, finance the majority of these services. The business-type activities include natural gas, and water and wastewater, where the fees for service typically cover all or most of the cost of operation including depreciation.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's *near-term* financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Fire Department, Airport Capital Projects Special Revenue Fund and the Community Redevelopment Agency Fund, which are considered to be major funds. Data included in the other governmental funds consists of governmental funds that are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on page 79 and 80 of this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds to account for the following operations: natural gas distribution, and the water and wastewater utilities. The City has no internal service funds.

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 the natural gas and water and wastewater utility fund, which are considered to be major funds of the City.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City utilizes fiduciary funds to account for its employees' retirement plans.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$92,716,304 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

City of Lake City's Net Position

The largest portion of the City's net assets or \$75,050,794 reflects its investment in capital assets (i.e., land, utility plant and improvements, equipment, buildings, improvements, machinery and equipment, and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net assets, \$4,888,878 represents resources that are subject to external restrictions on how they may be used (restricted net assets).

The unrestricted net asset balance of \$12,776,632 is intended to be a corporate-style measurement of the City's current financial standing and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current and Other Assets	\$ 18,931,367	\$ 16,342,197	\$ 13,600,735	\$ 13,058,477	\$ 32,532,102	\$ 29,400,674
Capital Assets	49,326,443	41,526,169	68,796,936	68,494,726	118,123,379	110,020,895
Total Assets	68,257,810	57,868,366	82,397,671	81,553,203	150,655,481	139,421,569
Deferred Outflow of Resources	3,129,082	2,340,411	1,092,697	839,044	4,221,779	3,179,455
Current Liabilities	3,630,263	2,012,486	2,431,652	4,014,353	6,061,915	6,026,839
Long-term liabilities	15,420,853	12,720,704	37,832,445	37,107,541	53,253,298	49,828,245
Total liabilities	19,051,116	14,733,190	40,264,097	41,121,894	59,315,213	55,855,084
Deferred Inflows of Resources						
Pension Related	2,401,845	2,667,644	443,898	506,111	2,845,743	3,173,755
Net Position						
Net Investment in Capital Assets	40,810,971	33,890,745	34,239,823	32,493,040	75,050,794	66,383,785
Restricted	2,638,079	4,650,672	2,250,799	1,969,605	4,888,878	6,620,277
Unrestricted	6,484,881	4,266,526	6,291,751	6,301,597	12,776,632	10,568,123
Total net position	\$ 49,933,931	\$ 42,807,943	\$ 42,782,373	\$ 40,764,242	\$ 92,716,304	\$ 83,572,185

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

City of Lake City Changes in Net Position

City of Lake City Changes in Net Position From Statement of Activities							
	Governmental Activities		Business-Type Activities		Total Primary Government		
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	
REVENUES							
Program Revenues:							
Charges for services	\$ 4,306,090	\$ 4,321,950	\$ 18,311,454	\$ 17,822,449	\$ 22,617,544		22,144,399
Operating grants and contributions	1,505,580	1,425,669			1,505,580		1,425,669
Capital grant and contributions	6,325,707	2,270,326	268,453	790,943	6,594,160		3,061,269
Property taxes	3,836,995	3,629,640			3,836,995		3,629,640
Sales taxes	2,719,769	2,587,064			2,719,769		2,587,064
Casualty and fire insurance premium taxes	180,706	168,569			180,706		168,569
Public service taxes	1,459,951	1,452,344			1,459,951		1,452,344
Other taxes	717,260	751,321			717,260		751,321
Franchise and utility taxes	1,409,248	1,412,846			1,409,248		1,412,846
State revenue sharing	456,034	400,353			456,034		400,353
Other governmental revenues	191,555	195,466			191,555		195,466
Investment earnings	142,531	64,309	23,509	15,329	166,040		79,638
Miscellaneous revenues	162,414	86,609	128,126	27,269	290,540		113,878
Total Revenues and transfers	23,413,840	18,766,466	18,731,542	18,655,990	42,145,382		37,422,456
EXPENSES							
General Government	2,216,877	3,084,728			2,216,877		3,084,728
Public Safety	7,628,463	7,976,834			7,628,463		7,976,834
Highway and Streets	3,490,828	3,409,246			3,490,828		3,409,246
Airport	2,548,881	2,291,837			2,548,881		2,291,837
Health and Welfare	248,075	372,650			248,075		372,650
Economic Environment	51,838	86,346			51,838		86,346
Physical Environment	451,736	442,540			451,736		442,540
Culture and Recreation	561,604	627,667			561,604		627,667
Interest on Long Term Debt	209,550	208,299			209,550		208,299
Water and Sewer Utility			12,142,919	10,901,716	12,142,919		10,901,716
Natural Gas Utility			3,450,492	3,579,508	3,450,492		3,579,508
Total Expenses	17,407,852	18,500,147	15,593,411	14,481,224	33,001,263		32,981,371
Increase (Decrease) in net assets before transfers	6,005,988	266,319	3,138,131	4,174,766	9,144,119		4,441,085
Transfers	1,120,000	1,120,000	(1,120,000)	(1,120,000)	-		-
Increase (Decrease) in net assets	7,125,988	1,386,319	2,018,131	3,054,766	9,144,119		4,441,085
Net Assets - Beginning							
as originally stated	42,807,943	41,165,425	40,764,242	37,960,648	83,572,185		79,126,073
Adj Beg Net Position		256,199		(251,172)	-		5,027
Net Position - Beginning							
as adjusted	42,807,943	41,421,624	40,764,242	37,709,476	83,572,185		79,131,100
Net Position - Ending	\$ 49,933,931	\$ 42,807,943	\$ 42,782,373	\$ 40,764,242	\$ 92,716,304		\$ 83,572,185

Governmental Activities

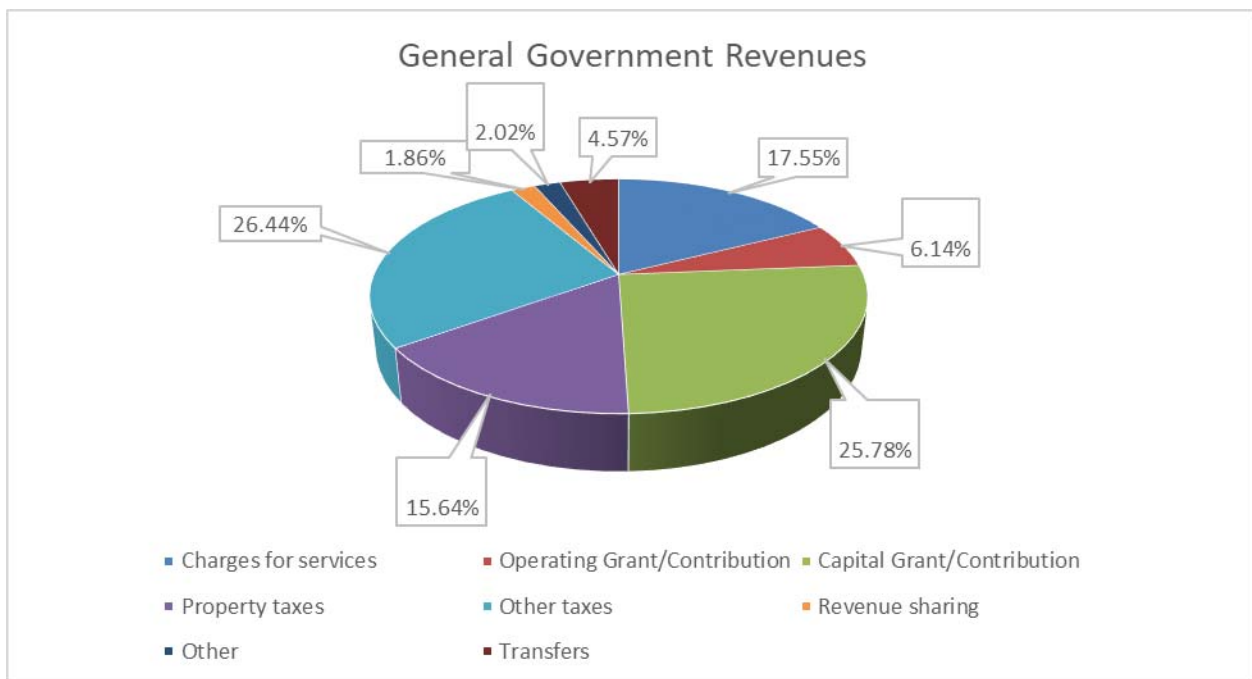
Governmental activities before transfers increased the City's net assets \$5,739,669. Revenues for the City's governmental activities increased \$4,647,374 while total expenses decreased \$1,092,295 for 2019.

MANAGEMENT’S DISCUSSION AND ANALYSIS
(continued)

Key elements of the changes in revenues and expenses include:

Revenue:

- Charges for services overall were down \$15,860 in 2019. Airport gas sales and other revenue increased \$109,225. Public safety charges for services decreased \$168,161 however from a decline in construction permits. In the previous year several hotels applied for permits and are now in the process of completing construction. Plans are underway to build additional hotels which should generate revenues in the future. At the present time, the City is applying for a grant to run sewer at the I-75/U. S. Highway 47 exchange to spur growth and is making plans to try and annex properties into the City.
- Operating grants and contributions revenue increased in 2019 by \$79,911 from greater collections of local option gas taxes of \$127,160. In the prior year the City collected \$47,938 in FEMA grant revenue that was not recurring in 2019.
- Capital grants increased \$4,055,381. The City has been actively pursuing airport grants. In 2018 the City contracted with the Federal Aviation Administration (FAA) and Florida Department of Transportation (FDOT) to resurface Runway 10-28 and expended and billed \$5,119,983 of the FAA grant and \$454,676 from FDOT on the project during 2019. The City spent \$315,935 for a CDBG grant awarded in 2017 from the Department of Economic Opportunity in the amount of \$750,000 for commercial revitalization to construct a public parking lot at 154 NW Veterans Street. At year end the grant was mostly completed. The City also entered into an agreement with FDOT for \$410,000 to design a bypass road for access to Lake Shore Hospital as well as to resurface McFarlane Avenue from Bascom Norris Road to Baya Avenue. Revenues for these projects was \$213,189 in 2019.
- Property taxes increased \$207,355 during 2019. The City maintained its ad valorem rate of 4.9 mils.
- Other taxes, which include utility, sales tax, revenue sharing and discretionary sales tax, increased \$166,560, which was a 2.3% rise from the previous year. Discretionary taxes of \$46,300 and sales tax of \$132,705 accounted for the change.



MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Expenses:

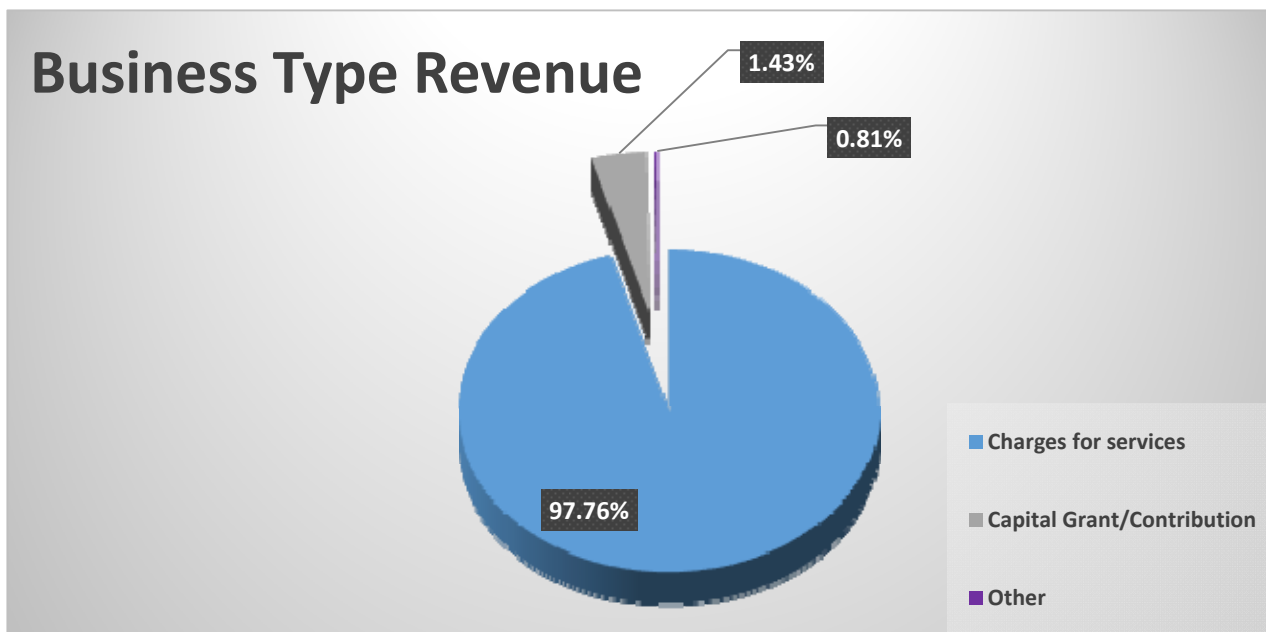
- General Government spending decreased \$1,092,295. The breakdown is outlined below.
- In 2018 the City paid a one-time grant for \$1,000,000 to Integrity Development Partners as an incentive to revitalize the Blanche Hotel. In the prior year statements, it was noted that the City was obligated to pay guaranteed rent to the developer of \$35,417 per month once the project was completed. As of the year ended 9/30/19, the project is still ongoing. Also in the prior year professional services of \$197,956 were paid for design of a new roadway entrance to Lake Shore Hospital through a grant with the FDOT.
- During the fiscal year, the City contracted a ransomware virus. The City made the decision to pay the ransom of \$469,100 through an intermediary and was reimbursed all but \$10,000 from the insurance provider. Consequently, IT operating costs are up approximately \$222,000 for measures taken to further protect the City from attack. The unmeasured costs of the attack are the delays and downtime it took to get the City to a functional level again.
- Public Safety expenditures decreased overall \$348,371 in 2019. Police Department salaries and related benefits were down \$257,821 as the Department has had difficulty hiring officers in the last few years. Fire Department payroll expenses increased \$136,301 from additional pay incentives negotiated through the union which were fully implemented in 2019. Pension liability adjustments decreased for all Public Safety by \$411,640.

Business-type Activities

Business-type activities before transfers decreased the City's net assets by \$1,036,635 for fiscal year 2019 compared to a \$346,543 increase in 2018. Revenues for the City's business-type activities increased \$75,552 while total expenses increased \$1,112,187 for fiscal year 2019. Elements of the changes in revenues and expenses include:

Revenue:

- Charges for services increased \$552,774. Rate increases of about 2.00% based on the CPI contributed to the growth.
- Impact fees declined \$509,852 as no major projects were undertaken in the City in 2019. As noted previously, several hotels were the primary source of impact fees from the previous reporting period.



Expenses:

- Water and sewer costs increased overall \$1,408,803 during the year. The primary contributor to the increased costs were adjustments for pension related costs of \$937,576. In addition, personnel services increased \$165,285 from normal turnover and associated benefit costs. Depreciation increased \$671,753 as the Kicklighter Wastewater Treatment Plant was placed in service in 2019. Operating costs decreased overall by \$297,535 as there was no recurrence of major maintenance during the year. Interest expense and amortization also decreased \$68,276 for the year.
- Natural gas expenses decreased \$129,016. Increase in net pension liability was \$189,821 while contract services and materials were down \$288,446.

The City's Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$13,918,728, which is a 0.6% percent increase over the previous year. Approximately 88.72% percent or \$12,349,309 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Non-spendable fund balance of .4% is comprised of:

❖ Inventory	\$ 47,863
❖ Prepaids	\$ 2,724

The restricted fund balance of 10.91% has been obligated for debt service of \$94,600, public safety of \$328,092, airport \$798,740, health and welfare \$27,611 and community redevelopment of \$269,789.

Business-type Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

MANAGEMENT’S DISCUSSION AND ANALYSIS
(continued)

General Fund Budgetary Highlights

For fiscal year 2019, the City adopted a balanced budget in the General Fund. The General Fund had an original budget of \$16,244,481; the final amended budget was \$17,408,476.

The following is a brief overview of the significant budgeting changes of \$1,163,995 from the original budget to the final budget.

General Fund

- City received a grant for \$164,750 from State of Florida Economic Development Transportation Fund to design an access road to Lake Shore Hospital to improve the efficiency of ambulance access to the hospital. It was determined that the original plan to build the road would be too costly as the road would cross through wetlands. Therefore, the plan is being redesigned to accommodate a more suitable route.
- City received an additional \$30,566 in Police insurance premium taxes.
- Grants for overtime for public safety for speed and aggressive driving and seatbelt safety were received for \$26,842.
- Garbage/solid waste collections were greater than the original budget by \$12,265.
- The City entered into a lease agreement with Motorola to purchase a new communications system for mobile radios, licensing, dispatch consoles and software to link systems to communication towers for the Police and Fire Departments. Total indebtedness to the City was \$1,394,357. The Police Department’s portion of the lease proceeds was \$929,572.

Capital Assets and Debt Administration

Capital Assets

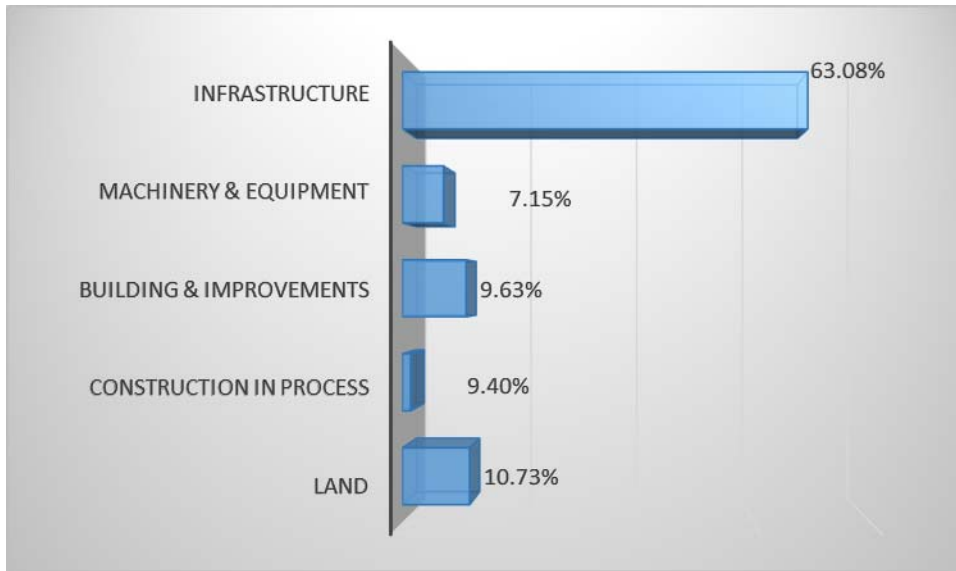
At the end of fiscal year 2019, the City had \$118,123,379 invested in a broad range of capital assets. This amount represents a net increase of \$8,102,484 over last year.

Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Land	\$ 7,379,003	\$ 7,339,288	\$ 5,296,782	\$ 5,295,556	\$ 12,675,785	\$ 12,634,844
Construction in Process	11,074,449	1,539,420	34,102	34,102	11,108,551	1,573,522
Building & Improvements	6,358,627	6,743,030	5,022,084	5,214,002	11,380,711	11,957,032
Machinery & equipment	1,796,004	2,006,829	6,648,503	5,727,474	8,444,507	7,734,303
Infrastructure	22,718,360	23,897,602	51,795,465	52,223,592	74,513,825	76,121,194
Totals	\$ 49,326,443	\$ 41,526,169	\$ 68,796,936	\$ 68,494,726	\$ 118,123,379	\$ 110,020,895

MANAGEMENT’S DISCUSSION AND ANALYSIS
(continued)

Capital Assets by Class:



Major capital asset acquisitions and reclassifications from construction in progress to infrastructure and building improvements for 2019 include:

General Government

Network security & upgrades	IT	\$ 266,337
New City website	IT	\$ 14,250
Generator for FHP Communication Tower	IT	\$ 23,596
Street Paving/overlays	Public Works	\$ 239,303
Caterpillar Excavator	Public Works	\$ 51,949
Caterpillar Generator	Public Works	\$ 64,789
CDBG Veteran Street Parking Improvements	CDBG	\$ 382,535
CIP – Airport Corporate & Bulk Hangars	Airport	\$1,328,327
CIP – Runway 10-28 rehab	Airport	\$5,683,455
CIP – Fuel Farm	Airport	\$ 59,419

Business Type Activities

CAT Track Loader	Water Sewer	\$ 66,981
Well #2 Replacement	Water Sewer	\$ 57,500
WWTP Digester St. Margaret St.	Water Sewer	\$ 996,838

Additional information on the City’s capital assets can be found in Note 6 of the notes to the financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS
(continued)

Long-term Debt

At the end of the current fiscal year, the City had total bond debt outstanding of \$43,072,585 net of unamortized refunding losses and discounts.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue bonds/leases	\$8,515,472	\$7,635,424	\$34,557,113	\$36,001,686	\$43,072,585	\$43,637,110

As noted previously, the City acquired a lease for public safety equipment in the current year for \$1,394,357.

Additional information on the City’s long-term debt can be found in Note 8 of the notes to the financial statements.

The City considered many factors when preparing the fiscal year 2019 budgetary estimates. Some of the major considerations were local and national economic factors, which included:

- Seasonally adjusted unemployment rate for Florida in September 2019 was 3.2%, which is down overall from the previous year rate of 0.1%, while Columbia County averaged 3.0%.
- Consumer prices twelve-month average increased 1.7% from the previous year for all urban consumers. Food and energy prices combined increased 6.6%. The City was able to continue to maintain no cost increase on health insurance.
- The City still continues to experience growth but major projects have declined. The economy overall was expected to grow 2.3% for 2019. Property values have continued to increase but are still not at the level they were prior to the 2008 downturn.
- Revenue projections for state shared revenues were up \$77,097 over the previous year.

Financial Contact

The City’s financial statements are designed to present users with a general overview of the City’s finances and to demonstrate the City’s accountability. If you have any questions concerning any of the information provided in this report or need additional financial information, contact the City’s Finance Director at City Hall located at 205 North Marion Avenue, Lake City, Florida, 32055.

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

**CITY OF LAKE CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 8,400,840	\$ 8,068,838	\$ 16,469,678
Investments	4,548,436	-	4,548,436
Receivables, net	500,870	2,465,974	2,966,844
Internal balances	40,000	(40,000)	-
Due from other governments	3,926,017	7,056	3,933,073
Inventories	47,863	311,459	359,322
Prepays	2,724	131,382	134,106
Net pension asset	1,464,617	-	1,464,617
Restricted assets:			
Equity in pooled cash	-	2,656,026	2,656,026
Capital assets:			
Capital assets, not being depreciated	18,453,452	5,330,884	23,784,336
Other capital assets, net of depreciation	30,872,991	63,466,052	94,339,043
Total assets	<u>\$ 68,257,810</u>	<u>\$ 82,397,671</u>	<u>\$ 150,655,481</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ 31,029	\$ 118,894	\$ 149,923
Deferred outflows related to pensions	3,094,432	971,481	4,065,913
Deferred outflows related to OPEB	3,621	2,322	5,943
Total deferred outflows	<u>\$ 3,129,082</u>	<u>\$ 1,092,697</u>	<u>\$ 4,221,779</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 3,430,728	\$ 378,977	\$ 3,809,705
Customer deposits	100,400	1,157,276	1,257,676
Unearned revenue	16,894	490,172	507,066
Accrued interest payable	82,241	405,227	487,468
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	531,408	1,497,000	2,028,408
Capital leases	116,753	-	116,753
Compensated absences	588,044	308,706	896,750
Due in more than one year:			
Bonds and notes payable	6,620,736	33,179,007	39,799,743
Capital leases	1,277,604	-	1,277,604
Compensated absences	170,481	121,198	291,679
Total OPEB liability	79,153	50,758	129,911
Net pension liability	6,036,674	2,675,776	8,712,450
Total liabilities	<u>\$ 19,051,116</u>	<u>\$ 40,264,097</u>	<u>\$ 59,315,213</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 2,399,166	\$ 442,180	\$ 2,841,346
Deferred inflows related to OPEB	2,679	1,718	4,397
Total deferred inflows	<u>\$ 2,401,845</u>	<u>\$ 443,898</u>	<u>\$ 2,845,743</u>
NET POSITION			
Net investment in capital assets	\$ 40,810,971	\$ 34,239,823	\$ 75,050,794
Restricted for:			
Public safety	328,092	-	328,092
Community redevelopment projects	269,789	-	269,789
Airport	798,740	-	798,740
Debt service	12,359	401,913	414,272
Capital improvements	-	1,848,886	1,848,886
Pension benefits	1,201,488	-	1,201,488
Other purposes	27,611	-	27,611
Unrestricted	6,484,881	6,291,751	12,776,632
Total net position	<u>\$ 49,933,931</u>	<u>\$ 42,782,373</u>	<u>\$ 92,716,304</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,216,877	\$ 36,232	\$ 52,453	\$ -	\$ (2,128,192)	\$ -	\$ (2,128,192)
Public safety	7,628,463	2,376,062	-	35,147	(5,217,254)	-	(5,217,254)
Highway and street	3,490,828	-	1,443,127	213,189	(1,834,512)	-	(1,834,512)
Airport	2,548,881	1,237,243	-	5,761,435	4,449,797	-	4,449,797
Health and welfare	248,075	-	-	-	(248,075)	-	(248,075)
Economic environment	51,838	-	-	315,936	264,098	-	264,098
Physical environment	451,736	537,758	-	-	86,022	-	86,022
Culture and recreation	561,604	118,795	10,000	-	(432,809)	-	(432,809)
Interest on long-term debt	209,550	-	-	-	(209,550)	-	(209,550)
Total governmental activities	<u>17,407,852</u>	<u>4,306,090</u>	<u>1,505,580</u>	<u>6,325,707</u>	<u>(5,270,475)</u>	<u>-</u>	<u>(5,270,475)</u>
Business-type activities:							
Water-sewer utility	12,142,919	14,371,128	-	268,453	-	2,496,662	2,496,662
Natural gas	3,450,492	3,940,326	-	-	-	489,834	489,834
Total business-type activities	<u>15,593,411</u>	<u>18,311,454</u>	<u>-</u>	<u>268,453</u>	<u>-</u>	<u>2,986,496</u>	<u>2,986,496</u>
Total primary government	<u>\$ 33,001,263</u>	<u>\$ 22,617,544</u>	<u>\$ 1,505,580</u>	<u>\$ 6,594,160</u>	<u>(5,270,475)</u>	<u>2,986,496</u>	<u>(2,283,979)</u>
General revenues:							
Property taxes					3,836,995	-	3,836,995
Sales taxes					2,719,769	-	2,719,769
Casualty and fire insurance premium taxes					180,706	-	180,706
Public service taxes					1,459,951	-	1,459,951
Other taxes					717,260	-	717,260
Franchise and utility taxes					1,409,248	-	1,409,248
State revenue sharing					456,034	-	456,034
Other intergovernmental revenues					191,555	-	191,555
Investment earnings					142,531	23,509	166,040
Miscellaneous revenues					162,414	128,126	290,540
Transfers					1,120,000	(1,120,000)	-
Total general revenues and transfers					<u>12,396,463</u>	<u>(968,365)</u>	<u>11,428,098</u>
Change in net position					7,125,988	2,018,131	9,144,119
Net position - beginning					42,807,943	40,764,242	83,572,185
Net position - ending					<u>\$ 49,933,931</u>	<u>\$ 42,782,373</u>	<u>\$ 92,716,304</u>

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

**CITY OF LAKE CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General</u>	<u>Fire Department</u>	<u>Community Redevelopment Agency</u>	<u>Airport Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Equity in pooled cash and cash equivalents	\$ 6,699,554	\$ 245,329	\$ 431,146	\$ 447,843	\$ 576,968	\$ 8,400,840
Investments	4,548,436	-	-	-	-	4,548,436
Receivables, net	498,600	500	-	-	1,770	500,870
Due from other governments	1,003,270	81,930	-	2,738,278	102,539	3,926,017
Due from other funds	110,551	-	-	-	-	110,551
Inventories	22,045	-	-	-	25,818	47,863
Prepaid items	1,294	-	-	-	1,430	2,724
Total assets	<u>\$ 12,883,750</u>	<u>\$ 327,759</u>	<u>\$ 431,146</u>	<u>\$ 3,186,121</u>	<u>\$ 708,525</u>	<u>\$ 17,537,301</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 510,902	\$ 100,752	\$ 161,157	\$ 2,637,598	\$ 20,319	\$ 3,430,728
Customer deposits	200	-	200	-	100,000	100,400
Unearned revenue	-	-	-	-	16,894	16,894
Due to other funds	-	-	-	-	70,551	70,551
Total liabilities	<u>511,102</u>	<u>100,752</u>	<u>161,357</u>	<u>2,637,598</u>	<u>207,764</u>	<u>3,618,573</u>
FUND BALANCES						
Nonspendable:						
Inventories	22,045	-	-	-	25,818	47,863
Prepaid items	1,294	-	-	-	1,430	2,724
Restricted for:						
Public safety	-	227,007	-	-	101,085	328,092
Airport	-	-	-	548,523	250,217	798,740
Debt service	-	-	-	-	94,600	94,600
Community redevelopment	-	-	269,789	-	-	269,789
Health and welfare	-	-	-	-	27,611	27,611
Unassigned	12,349,309	-	-	-	-	12,349,309
Total fund balances	<u>12,372,648</u>	<u>227,007</u>	<u>269,789</u>	<u>548,523</u>	<u>500,761</u>	<u>13,918,728</u>
Total liabilities and fund balances	<u>\$ 12,883,750</u>	<u>\$ 327,759</u>	<u>\$ 431,146</u>	<u>\$ 3,186,121</u>	<u>\$ 708,525</u>	<u>\$ 17,537,301</u>

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

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

Fund balances - total governmental funds \$ 13,918,728

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Total governmental capital assets	91,796,614	
Less: accumulated depreciation	<u>(42,470,171)</u>	49,326,443

On the governmental fund statements, a net pension liability (asset) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability (asset) of the defined benefit pension plans is reported as a noncurrent liability (asset). Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(6,036,674)	
Net pension asset	1,464,617	
Deferred outflows related to pensions	3,094,432	
Deferred inflows related to pensions	<u>(2,399,166)</u>	(3,876,791)

On the governmental fund statements, a OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.

Total OPEB liability	(79,153)	
Deferred outflows related to OPEB	3,621	
Deferred inflows related to OPEB	<u>(2,679)</u>	(78,211)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:

Bonds and notes payable	(7,152,144)	
Accrued interest payable	(82,241)	
Lease financed purchases	(1,394,357)	
Unamortized deferred loss on bond refunding	31,029	
Compensated absences	<u>(758,525)</u>	(9,356,238)

Net position of governmental activities \$ 49,933,931

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

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

	General	Fire Department	Community Redevelopment Agency	Airport Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 8,851,235	\$ 63,423	\$ 119,807	\$ -	\$ -	\$ 9,034,465
Franchise fees and permits	1,546,407	-	-	-	-	1,546,407
Intergovernmental	2,033,958	-	172,464	5,761,435	328,782	8,296,639
Charges for services	2,022,385	2,167,543	400	-	1,192,110	5,382,438
Fines and forfeitures	60,239	-	-	-	-	60,239
Investment income	138,438	894	1,354	1,800	45	142,531
Miscellaneous	169,386	-	10,000	-	137,330	316,716
Total revenues	<u>14,822,048</u>	<u>2,231,860</u>	<u>304,025</u>	<u>5,763,235</u>	<u>1,658,267</u>	<u>24,779,435</u>
Expenditures						
Current:						
General government	3,363,656	-	-	-	-	3,363,656
Public safety	4,840,074	2,314,005	-	-	12,846	7,166,925
Highway and street	2,821,161	-	-	-	-	2,821,161
Airport	-	-	-	-	1,046,859	1,046,859
Health and welfare	248,075	-	-	-	-	248,075
Economic environment	-	-	51,838	-	-	51,838
Physical environment	451,736	-	-	-	-	451,736
Culture and recreation	521,191	-	-	-	-	521,191
Capital outlay	1,873,487	520,700	1,008,674	7,086,345	347,069	10,836,275
Debt service:						
Principal retirement	-	-	83,566	-	434,227	517,793
Interest and fiscal charges	-	-	19,584	-	177,798	197,382
Total expenditures	<u>14,119,380</u>	<u>2,834,705</u>	<u>1,163,662</u>	<u>7,086,345</u>	<u>2,018,799</u>	<u>27,222,891</u>
Excess (deficiency) of revenues over expenditures	<u>702,668</u>	<u>(602,845)</u>	<u>(859,637)</u>	<u>(1,323,110)</u>	<u>(360,532)</u>	<u>(2,443,456)</u>
Other financing sources (uses)						
Transfers in	1,120,000	171,739	-	-	368,185	1,659,924
Transfers out	(539,924)	-	-	-	-	(539,924)
Proceeds from sale of capital assets	11,345	-	-	-	-	11,345
Issuance of long-term debt	929,571	464,786	-	-	-	1,394,357
Total other financing sources (uses)	<u>1,520,992</u>	<u>636,525</u>	<u>-</u>	<u>-</u>	<u>368,185</u>	<u>2,525,702</u>
Net change in fund balances	<u>2,223,660</u>	<u>33,680</u>	<u>(859,637)</u>	<u>(1,323,110)</u>	<u>7,653</u>	<u>82,246</u>
Fund balances, beginning of year	10,148,988	193,327	1,129,426	1,871,633	493,108	13,836,482
Fund balances, end of year	<u>\$ 12,372,648</u>	<u>\$ 227,007</u>	<u>\$ 269,789</u>	<u>\$ 548,523</u>	<u>\$ 500,761</u>	<u>\$ 13,918,728</u>

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

**CITY OF LAKE CITY, 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, 2019**

Net change in fund balances - total governmental funds	\$	82,246
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		10,836,275
Depreciation expense		(2,989,061)
Net book value of capital assets disposed		(46,940)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Principal repayment of general long-term debt		517,793
Issuance of governmental long-term debt		(1,394,357)
Governmental funds report contributions to defined benefit pension and OPEB plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future total OPEB/net pension liability. Also included in expense in the statement of activities are amounts required to be amortized in future years related to pensions and OPEB.		
Change in net pension liability and deferred inflows/outflows related to pensions		103,197
Change in total OPEB liability and deferred inflows/outflows related to OPEB		10,112
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:		
Change in accrued interest on long-term debt and amortization of loss on refunding		(8,684)
Change in compensated absences liability		18,891
Change in net position of governmental activities	\$	<u>7,125,988</u>

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes	\$ 8,874,208	\$ 8,904,774	\$ 8,851,235	\$ (53,539)
Franchise fees and permits	1,566,113	1,566,113	1,546,407	(19,706)
Intergovernmental	1,723,162	1,914,754	2,033,958	119,204
Charges for services	1,982,684	1,994,949	2,022,385	27,436
Fines and forfeitures	23,880	23,880	60,239	36,359
Investment income	40,633	40,633	138,438	97,805
Miscellaneous	62,081	62,081	169,386	107,305
Total revenues	<u>14,272,761</u>	<u>14,507,184</u>	<u>14,822,048</u>	<u>314,864</u>
Expenditures				
Current:				
General government	4,868,722	4,551,722	3,363,656	1,188,066
Public safety	5,602,894	5,660,302	4,840,074	820,228
Highway and street	2,969,478	3,127,058	2,821,161	305,897
Health and welfare	247,000	254,170	248,075	6,095
Physical environment	442,748	455,013	451,736	3,277
Culture and recreation	577,493	577,493	521,191	56,302
Capital outlay	988,422	2,234,994	1,873,487	361,507
Total expenditures	<u>15,696,757</u>	<u>16,860,752</u>	<u>14,119,380</u>	<u>2,741,372</u>
Excess (deficiency) of revenues over expenditures	<u>(1,423,996)</u>	<u>(2,353,568)</u>	<u>702,668</u>	<u>3,056,236</u>
Other financing sources (uses)				
Transfers in	1,120,000	1,120,000	1,120,000	-
Transfers out	(539,924)	(539,924)	(539,924)	-
Issuance of lease debt	-	929,572	929,571	(1)
Proceeds from sale of capital assets	25,000	25,000	11,345	(13,655)
Total other financing sources (uses)	<u>605,076</u>	<u>1,534,648</u>	<u>1,520,992</u>	<u>(13,656)</u>
Net change in fund balances	<u>(818,920)</u>	<u>(818,920)</u>	<u>2,223,660</u>	<u>3,042,580</u>
Fund balances, beginning of year	10,148,988	10,148,988	10,148,988	-
Fund balances, end of year	<u>\$ 9,330,068</u>	<u>\$ 9,330,068</u>	<u>\$ 12,372,648</u>	<u>\$ 3,042,580</u>

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

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FIRE DEPARTMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 58,995	\$ 63,423	\$ 63,423	\$ -
Charges for services	2,291,152	2,291,152	2,167,543	(123,609)
Investment income	-	-	894	894
Total revenues	2,350,147	2,354,575	2,231,860	(122,715)
Expenditures				
Current:				
Public safety	2,469,486	2,473,914	2,314,005	159,909
Capital outlay	52,400	517,186	520,700	(3,514)
Total expenditures	2,521,886	2,991,100	2,834,705	156,395
Excess (deficiency) of revenues over expenditures	(171,739)	(636,525)	(602,845)	33,680
Other financing sources (uses)				
Transfers in	171,739	171,739	171,739	-
Issuance of lease debt	-	464,786	464,786	-
Total other financing sources (uses)	171,739	636,525	636,525	-
Net change in fund balances	-	-	33,680	33,680
Fund balances, beginning of year	193,327	193,327	193,327	-
Fund balances, end of year	\$ 193,327	\$ 193,327	\$ 227,007	\$ 33,680

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

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 128,592	\$ 128,592	\$ 119,807	\$ (8,785)
Intergovernmental	173,447	173,447	172,464	(983)
Charges for services	1,150	1,150	400	(750)
Investment income	750	750	1,354	604
Miscellaneous	-	-	10,000	10,000
Total revenues	<u>303,939</u>	<u>303,939</u>	<u>304,025</u>	<u>86</u>
Expenditures				
Current:				
Economic environment	47,787	58,812	51,838	6,974
Capital outlay	1,182,480	1,171,455	1,008,674	162,781
Debt service:				
Principal retirement	83,566	83,566	83,566	-
Interest and fiscal charges	19,584	19,584	19,584	-
Total expenditures	<u>1,333,417</u>	<u>1,333,417</u>	<u>1,163,662</u>	<u>169,755</u>
Net change in fund balances	<u>(1,029,478)</u>	<u>(1,029,478)</u>	<u>(859,637)</u>	<u>169,841</u>
Fund balances, beginning of year	1,129,426	1,129,426	1,129,426	-
Fund balances, end of year	<u>\$ 99,948</u>	<u>\$ 99,948</u>	<u>\$ 269,789</u>	<u>\$ 169,841</u>

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

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

	Business-type Activities - Enterprise Funds		
	Water-Sewer	Natural	Total
	Utility	Gas	
ASSETS			
Equity in pooled cash and cash equivalents	\$ 6,149,304	\$ 1,919,534	\$ 8,068,838
Accounts receivable, net	2,078,433	387,541	2,465,974
Due from other governments	-	7,056	7,056
Inventories	237,026	74,433	311,459
Prepaid items	126,799	4,583	131,382
Due from other funds	94,328	-	94,328
Restricted current assets			
Equity in pooled cash	1,902,227	-	1,902,227
Total current assets	<u>10,588,117</u>	<u>2,393,147</u>	<u>12,981,264</u>
Noncurrent assets:			
Restricted cash	753,799	-	753,799
Capital assets:			
Land	5,295,243	1,539	5,296,782
Building and improvements	6,679,646	680,990	7,360,636
Infrastructure	84,516,945	3,771,112	88,288,057
Machinery and equipment	14,955,820	804,640	15,760,460
Construction in progress	34,102	-	34,102
Accumulated depreciation	(45,250,125)	(2,692,976)	(47,943,101)
Total capital assets, net	<u>66,231,631</u>	<u>2,565,305</u>	<u>68,796,936</u>
Total noncurrent assets	<u>66,985,430</u>	<u>2,565,305</u>	<u>69,550,735</u>
Total assets	<u>\$ 77,573,547</u>	<u>\$ 4,958,452</u>	<u>\$ 82,531,999</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ 118,894	\$ -	\$ 118,894
Deferred outflows related to pensions	816,302	155,179	971,481
Deferred outflows related to OPEB	1,883	439	2,322
Total deferred outflows	<u>\$ 937,079</u>	<u>\$ 155,618</u>	<u>\$ 1,092,697</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 249,690	\$ 129,287	\$ 378,977
Deposits	812,795	344,481	1,157,276
Unearned revenue	-	490,172	490,172
Due to other funds	40,000	94,328	134,328
Compensated absences	244,510	64,196	308,706
Payable from restricted assets:			
Current maturities on long-term debt	1,497,000	-	1,497,000
Accrued interest payable	405,227	-	405,227
Total current liabilities	<u>3,249,222</u>	<u>1,122,464</u>	<u>4,371,686</u>
Noncurrent liabilities:			
Bonds and notes payable, net	33,179,007	-	33,179,007
Compensated absences	96,189	25,009	121,198
Total OPEB liability	41,153	9,605	50,758
Net pension liability	2,248,360	427,416	2,675,776
Total noncurrent liabilities	<u>35,564,709</u>	<u>462,030</u>	<u>36,026,739</u>
Total liabilities	<u>\$ 38,813,931</u>	<u>\$ 1,584,494</u>	<u>\$ 40,398,425</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 371,548	\$ 70,632	\$ 442,180
Deferred inflows related to OPEB	1,393	325	1,718
Total deferred inflows	<u>\$ 372,941</u>	<u>\$ 70,957</u>	<u>\$ 443,898</u>
NET POSITION			
Net investment in capital assets	\$ 31,674,518	\$ 2,565,305	\$ 34,239,823
Restricted for debt service	401,913	-	401,913
Restricted for renewal and replacement	500,000	-	500,000
Restricted for system improvements	1,348,886	-	1,348,886
Unrestricted	5,398,437	893,314	6,291,751
Total net position	<u>\$ 39,323,754</u>	<u>\$ 3,458,619</u>	<u>\$ 42,782,373</u>

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

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

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
Operating revenues			
Charges for services	\$ 14,126,447	\$ 3,940,326	\$ 18,066,773
Other revenues	244,681	-	244,681
Total operating revenues	<u>14,371,128</u>	<u>3,940,326</u>	<u>18,311,454</u>
Operating expenses			
Personal services	3,864,232	813,012	4,677,244
Contractual services and supplies	3,123,400	2,215,198	5,338,598
Internal charges	980,000	300,000	1,280,000
Depreciation	2,912,608	122,282	3,034,890
Total operating expenses	<u>10,880,240</u>	<u>3,450,492</u>	<u>14,330,732</u>
Operating income (loss)	<u>3,490,888</u>	<u>489,834</u>	<u>3,980,722</u>
Nonoperating revenues (expenses)			
Interest earnings	20,481	3,028	23,509
Miscellaneous income	125,877	2,249	128,126
Interest and amortization expense	(1,637,747)	-	(1,637,747)
Interest subsidy	375,068	-	375,068
Total nonoperating revenues (expenses)	<u>(1,116,321)</u>	<u>5,277</u>	<u>(1,111,044)</u>
Income (loss) before contributions and transfers	<u>2,374,567</u>	<u>495,111</u>	<u>2,869,678</u>
Capital contributions and impact fees	268,453	-	268,453
Transfers out	(870,000)	(250,000)	(1,120,000)
Change in net position	<u>1,773,020</u>	<u>245,111</u>	<u>2,018,131</u>
Net position, beginning of year	37,550,734	3,213,508	40,764,242
Net position, end of year	<u>\$ 39,323,754</u>	<u>\$ 3,458,619</u>	<u>\$ 42,782,373</u>

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

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

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
Cash flows from operating activities			
Cash received from customers	\$ 14,361,223	\$ 4,027,785	\$ 18,389,008
Cash paid to employees	(3,769,555)	(814,937)	(4,584,492)
Cash paid to suppliers	(3,093,424)	(2,245,868)	(5,339,292)
Cash paid for interfund charges	(980,000)	(300,000)	(1,280,000)
Other receipts	125,877	-	125,877
Net cash provided by operating activities	<u>6,644,121</u>	<u>666,980</u>	<u>7,311,101</u>
Cash flows from noncapital financing activities			
Transfers to other funds	(870,000)	(250,000)	(1,120,000)
Cash flows from capital and related financing activities			
Impact fees	268,453	-	268,453
Acquisition and construction of capital assets	(3,228,008)	(106,843)	(3,334,851)
Principal payments of long-term debt	(1,454,000)	-	(1,454,000)
Interest paid	(1,263,487)	-	(1,263,487)
Net cash provided by (used in) capital and related financing activities	<u>(5,677,042)</u>	<u>(106,843)</u>	<u>(5,783,885)</u>
Cash flows from investing activities			
Interest received	20,481	3,028	23,509
Net change in cash and cash equivalents	<u>117,560</u>	<u>313,165</u>	<u>430,725</u>
Cash and cash equivalents, beginning of year	8,687,770	1,606,369	10,294,139
Cash and cash equivalents, end of year	<u>\$ 8,805,330</u>	<u>\$ 1,919,534</u>	<u>\$ 10,724,864</u>
Cash and cash equivalents classified as:			
Unrestricted	\$ 6,149,304	\$ 1,919,534	\$ 8,068,838
Restricted	2,656,026	-	2,656,026
Total cash and cash equivalents	<u>\$ 8,805,330</u>	<u>\$ 1,919,534</u>	<u>\$ 10,724,864</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 3,490,888	\$ 489,834	\$ 3,980,722
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	2,912,608	122,282	3,034,890
Gain on disposition of capital assets	125,877	-	125,877
Changes in assets and liabilities:			
Accounts receivable	(34,850)	(25,484)	(60,334)
Due from other governments	-	486	486
Inventories	(56,296)	(9,279)	(65,575)
Prepaid items	14,038	(148)	13,890
Accounts payable and accrued liabilities	72,234	(21,243)	50,991
Deposits	24,945	7,025	31,970
Unearned revenue	-	105,432	105,432
Compensated absences	24,257	(10,403)	13,854
Net pension liability	69,192	9,464	78,656
Total OPEB liability	1,228	(986)	242
Net cash provided by operating activities	<u>\$ 6,644,121</u>	<u>\$ 666,980</u>	<u>\$ 7,311,101</u>
Non-cash investing, capital, and financing activities:			
Amortization of debt discount/loss on refunding	\$ 9,427	\$ -	\$ 9,427

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

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

	Pension Trust Funds
ASSETS	
Cash and cash equivalents with trustee	\$ 3,406,244
Receivables	
Contributions receivable	225,070
Interest and dividends receivable	90,986
Total receivables	316,056
Investments, at fair value	
Corporate bonds	6,833,600
Municipal bonds	2,138,289
Equities	26,845,508
Mutual funds	9,195,809
Total investments	45,013,206
Total assets	\$ 48,735,506
LIABILITIES	
Accounts payable	\$ 44,482
NET POSITION	
Restricted for pensions	\$ 48,691,024

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

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

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,497,495
Plan members	148,290
State - insurance premium taxes	180,706
Total contributions	1,826,491
Investment earnings	
Net appreciation (depreciation) in fair value of investments	(1,115,840)
Interest and dividends	2,808,445
Total investment earnings	1,692,605
Less: investment expense	(302,956)
Net investment income (loss)	1,389,649
 Total additions	 3,216,140
Deductions	
Benefit payments and refunds	3,172,496
Administrative expenses	87,868
Total deductions	3,260,364
 Change in net position	 (44,224)
 Net position restricted for pensions, beginning of year	 48,735,248
 Net position restricted for pensions, end of year	 \$ 48,691,024

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

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Lake City, Florida (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City was incorporated in 1859, under the State of Florida Laws, Chapter 40, Acts of 1858. The City operates under a City Council form of government and provides, under the administration of an appointed City Manager, the following services: public safety (police and fire), public works (streets and infrastructure), recreation, municipal airport services, natural gas services, planning, zoning, water and sewer services, and general and administrative services.

(b) **Blended component units**—The financial activity of The Lake City Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established to provide a method of eliminating blighted areas, expanding employment opportunities, and providing an environment for the social and economic growth of an area designated by City Ordinance. Each member of the City Council is a member of the Agency. The Agency is presented as a governmental fund type.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus blended component assets are appropriately presented as funds of the primary government.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers other reoccurring revenue to be available if they are collected within 90 days of the end of the current fiscal period. Grant and similar revenues are recognized when the related expenditure is incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund—The General Fund is the City’s primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.

Fire Department Special Revenue Fund—The Fire Department Special Revenue Fund accounts for the activities of the Lake City Fire Department and is primarily funded by a fire protection assessment imposed on all nongovernmental real property within the City.

Community Redevelopment Agency Fund—The Community Redevelopment Agency Fund accounts for the receipt and expenditures from certain property tax increments which are to be used for specific projects involving community redevelopment..

Airport Capital Projects Fund—The Airport Capital Projects Fund accounts for capital project activity related to the City’s municipal airport. Fund resources are typically received in the form of local, state, and federal grants.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

The City reports the following major proprietary funds:

Water and Sewer System Fund—The Water and Sewer System Fund accounts for the activities of the City's water distribution operations.

Natural Gas Utility Fund—The Natural Gas Utility Fund accounts for the activities of the City's water distribution operations.

Additionally, the City reports the following fund types:

Pension Trust Funds—Accounts for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Police Officers' Pension Fund, the Fireman's Pension Trust Fund, and the General Employee's Pension Trust Fund. Assets accumulated and held in trust in defined contribution pension plans (deferred compensation and money purchase retirement plans) are not included in the financial statements, since such amounts immediately vest with the employees.

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(e) **Budget information**—General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

The City's Finance Director and City Manager, together, are authorized to transfer budgeted amounts within departments within a fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Council. The budgetary information presented for the general fund and any major special revenue funds is prepared on the modified accrual basis

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Deposits and investments**—The City’s cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The City’s investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in certificates of deposit, money market funds, obligations issued by the U.S. or obligations guaranteed as to principal and interest by the U.S., repurchase agreements collateralized by U.S. securities, and the SBA.

(g) **Property taxes**—The assessment of all properties and the collection of all property taxes are made through the County Property Appraiser and County Tax Collector. General property taxes are recorded as received, in cash, which approximates taxes levied less discounts for the current year.

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, certificates bearing interest are sold for all uncollected real property taxes. Unsold certificates are held by the County.

(h) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for doubtful accounts, where appropriate. Unbilled utility service receivables are recorded at year-end. They are calculated by pro-rating cycle billings subsequent to year-end according to the number of days included in the current fiscal year.

(i) **Inventories and prepaid items**—All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(j) **Restricted assets**—Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayments, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted funds are comprised of the following:

Sinking funds - segregated resources generated from operations that are accumulated for making debt service payments over the next twelve months.

Construction funds - segregated resources consisting of net bond proceeds from the issuance of revenue bonds and other long-term debt obligations that are restricted to use in construction.

Renewal and replacement funds - segregated resources that are set aside to meet unexpected repairs or to fund asset renewal and replacement.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	5 – 60 years
Equipment	3 – 20 years
Infrastructure	7 – 60 years

(l) **Compensated absences**—It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification 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. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. The City Council has delegated responsibility to the City Manager and Finance Director pursuant to Ordinance 97-804. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification 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 generally the practice of the City to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

It is the City's policy to strive to maintain a minimum reserve level of 30% of the operating budget for the general fund.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(o) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 City has two items, deferred loss on bond refunding in the proprietary funds and government-wide statement of net position, and deferred outflows related to pensions, which qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pensions are discussed further in Note (13) and deferred outflows related to OPEB are discussed further in Note (12).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only items in this category consisted of deferred inflows of resources related to pensions, as discussed further in Note (13) and deferred inflows related to OPEB are discussed further in Note (12).

(p) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City's policy to consider restricted net position to have been used before unrestricted net position is applied.

(q) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(3) Cash Deposits and Investments:

The City's investment policies are governed by Chapter 280 and 218, Florida Statutes, City Code of Ordinances, and the adopted investment policy. The basic allowable investment instruments are as follows:

The Local Government Surplus Funds Trust Fund (SBA) or other state sponsored funds – The State Board of Administration (SBA) pools investments for local governments while providing safety and liquidity.

Securities and Exchange Council registered money market and closed end mutual funds with an investment grade securities rating from a nationally recognized rating agency, investing solely in investments otherwise authorized for the City to invest in directly.

Interest-bearing time deposits or savings accounts in qualified public depositories.

Direct obligations of the United States Treasury and agencies and instrumentalities. Securities will include, but not be limited to treasury bills, notes, bonds and any other obligations whose principal and interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities.

Certificates of deposit – Non-negotiable interest bearing time certificates of deposit in banks organized under the laws of the United States and doing business and situated in Florida.

Repurchase agreements – Overnight (sweep) repurchase agreements collateralized by any security eligible for pledge to the Florida Chief Financial officer for security of local government funds. The City may only transact repurchase agreements with financial institutions that are Well Capitalized as that term is defined by the Federal Deposit Insurance Corporation.

Deposits include cash on hand and amounts held in the City's demand accounts. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(3) Cash Deposits and Investments: (Continued)

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

As of September 30, 2019, the City's governmental and business-type investment portfolio was composed of the following investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&P)</u>	<u>Carrying Value</u>	<u>Weighted Average Investment Maturities (in Years)</u>		<u>Fair Value Hierarchy Classification</u>
			<u>Less Than 1</u>	<u>1 – 5</u>	
FMIT 0-2 Yr High Quality Bond Fund	AAAf/S1	\$ 3,722,271	\$ 3,722,271	\$ -	Level 2
FMIT 1-3 Yr High Quality Bond Fund	AAAf/S2	587,811	-	587,811	Level 2
Florida Prime	AAAam	238,354	238,354	-	N/A
Total Portfolio		<u>\$ 4,548,436</u>	<u>\$ 3,960,625</u>	<u>\$ 587,811</u>	

Interest Rate Risk: The City's fixed rate investments are generally tied to bond reserve requirements and are intended to be held until the funds are needed, at maturity. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's pension funds limit their risk by averaging investment maturities at approximately seven to ten years.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City's portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Concentration of Credit Risk: The pension funds' investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. No more than 3% of the trust fund shall be invested in any one issuer.

Custodial Credit Risk—Investments: In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City generally utilizes third party custodians to help manage custodial credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy does not permit general obligations issued by a foreign government and is, therefore, not exposed to foreign currency risk.

Pension Plans

The City's Pension Plans are authorized to invest in all of the instruments noted above as well as the following investments:

- Bonds, stocks, commingled mutual funds; and foreign securities.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(3) Cash Deposits and Investments: (Continued)

The following chart shows the City pension funds cash and investment accounts by investment portfolios and their respective maturities (in years):

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating Range (Moody's)</u>	<u>Fair Value Hierarchy Classification</u>
Corporate bonds	\$ 6,833,600	6.9	Aaa – BA1	Level 2
Municipal bonds and government obligations	2,138,289	8.7	AAA – A1	Level 2
Equities	26,845,508	N/A	NR	Level 1
Mutual funds	9,195,809	N/A	NR	Level 1
Total Portfolio	<u>\$ 45,013,206</u>			

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plans require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2019, the weighted average maturity in years for each investment type is included in the preceding table.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. The ratings of the investments held at year end are shown above. All are rated within the investment policy guidelines at September 30, 2019.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Fire Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty (60) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty (30) percent of the fund's total assets. The Police Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty-five (65) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty-five (35) percent of the fund's total assets. The General Employee Pension trust funds policy does not allow assets in the common stock, capital stock, or convertible securities to exceed seventy (70) percent of the fund's total assets or investments in bonds to exceed thirty (30) percent of the fund's total assets. At September 30, 2019, the investment portfolios met the single issuer limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for variable limitations on the concentration of foreign securities. At September 30, 2019, the investment portfolios met the foreign securities limitations.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2019:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 514,661	\$ (16,061)	\$ 498,600
Fire Department Special Revenue Fund			
Accounts receivable	500	-	500
Nonmajor Governmental Funds			
Accounts receivable	1,770	-	1,770
Total – Governmental Activities	516,931	(16,061)	500,870
Business-Type Activities:			
Water and Sewer Fund			
Accounts receivable	2,340,196	(261,763)	2,078,433
Natural Gas Fund			
Accounts receivable	410,265	(22,724)	387,541
Totals – Business-Type Activities	2,750,461	(284,487)	2,465,974
Totals	\$ 3,267,392	\$ (300,548)	\$ 2,966,844

(5) Interfund Loans, Advances, Fees, and Transfers:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual fund interfund receivables and payables for the primary government at September 30, 2019, are comprised of the following:

	Due From Other Funds	Due to Other Funds
Governmental Activities:		
General:		
Water and Sewer Fund	\$ 40,000	\$ -
Non-Major Funds	70,551	-
Non-Major Funds:		
General Fund	-	70,551
Business-Type Activities:		
Water and Sewer Fund:		
General Fund	-	40,000
Natural Gas Fund	94,328	-
Natural Gas Fund:		
Water and Sewer Fund	-	94,328
Totals – All Funds	\$ 204,879	\$ 204,879

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(5) **Interfund Loans, Advances, Fees, and Transfers:** (Continued)

For the year ended September 30, 2019, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund:		
Fire Department Fund	\$ -	\$ 171,739
Debt Service Fund	-	368,185
Water and Sewer Fund	870,000	-
Natural Gas Fund	250,000	-
Other Governmental Funds:		
Fire Department Fund:		
General Fund	171,739	-
Community Redevelopment Agency Fund:		
CDBG Housing Fund	-	-
CDBG Housing Fund:		
Community Redevelopment Agency Fund	-	-
Debt Service Fund:		
General Fund	368,185	-
	1,659,924	539,924
Business-type Activities:		
Water and Sewer Fund:		
General Fund	-	870,000
Natural Gas Fund:		
General Fund	-	250,000
	-	1,120,000
Totals – All Funds	\$ 1,659,924	\$ 1,659,924

Transfers are used to move revenues between funds to reflect the activities of the fund with the primary government. The primary government accounts for activities such as budgetary authorizations, subsidies or matching funds for various grant programs, and reimbursements to the general fund for services provided to other funds.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(6) Capital Assets:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 7,339,288	\$ 39,715	\$ -	\$ 7,379,003
Construction in progress	1,539,420	9,633,033	(98,004)	11,074,449
Total capital assets, not being depreciated	<u>8,878,708</u>	<u>9,672,748</u>	<u>(98,004)</u>	<u>18,453,452</u>
Capital assets, being depreciated –				
Buildings and improvements	15,200,718	-	-	15,200,718
Infrastructure	44,563,355	657,252	-	45,220,607
Machinery and Equipment	12,365,235	604,279	(47,677)	12,921,837
Total capital assets, being depreciated	<u>72,129,308</u>	<u>1,261,531</u>	<u>(47,677)</u>	<u>73,343,162</u>
Less accumulated depreciation for–				
Buildings, improvements	(8,457,688)	(384,403)	-	(8,842,091)
Infrastructure	(20,665,753)	(1,836,494)	-	(22,502,247)
Machinery and Equipment	(10,358,406)	(768,164)	737	(11,125,833)
Total accumulated depreciation	<u>(39,481,847)</u>	<u>(2,989,061)</u>	<u>737</u>	<u>(42,470,171)</u>
Total capital assets, being depreciated, net	<u>32,647,461</u>	<u>(1,727,530)</u>	<u>(46,940)</u>	<u>30,872,991</u>
Governmental activities capital assets, net	<u>\$ 41,526,169</u>	<u>\$ 7,945,218</u>	<u>\$ (144,944)</u>	<u>\$ 49,326,443</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 5,295,556	\$ 1,226	\$ -	\$ 5,296,782
Construction in progress	34,102	-	-	34,102
Total capital assets, not being depreciated	<u>5,329,658</u>	<u>1,226</u>	<u>-</u>	<u>5,330,884</u>
Capital assets, being depreciated –				
Buildings	7,345,941	14,695	-	7,360,636
Utility Plant and Improvements	86,992,857	1,295,200	-	88,288,057
Machinery and Equipment	13,755,641	2,025,979	(21,160)	15,760,460
Total capital assets, being depreciated	<u>108,094,439</u>	<u>3,335,874</u>	<u>(21,160)</u>	<u>111,409,153</u>
Less accumulated depreciation for –				
Buildings and improvements	(2,131,939)	(206,613)	-	(2,338,552)
Utility Plant and Improvements	(34,769,265)	(1,723,327)	-	(36,492,592)
Machinery and Equipment	(8,028,167)	(1,104,950)	21,160	(9,111,957)
Total accumulated depreciation	<u>(44,929,371)</u>	<u>(3,034,890)</u>	<u>21,160</u>	<u>(47,943,101)</u>
Total capital assets, being depreciated, net	<u>63,165,068</u>	<u>300,984</u>	<u>-</u>	<u>63,466,052</u>
Business-type activities capital assets, net	<u>\$ 68,494,726</u>	<u>\$ 302,210</u>	<u>\$ -</u>	<u>\$ 68,796,936</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 213,989
Public safety	538,247
Transportation	685,728
Airport	1,503,694
Culture and recreation	47,403
Total depreciation expense - governmental activities	<u>\$ 2,989,061</u>
Business-type activities:	
Water and sewer	\$ 2,912,608
Natural gas	122,282
Total depreciation expense - business-type activities	<u>\$ 3,034,890</u>

(7) **Commitments:**

As of September 30, 2019, the City had outstanding commitments on contracts in progress as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Corporate Hangars	\$ 1,420,276
McFarlane Resurfacing	875,494
Airport Main Runway	1,413,825
Airport Runway Lights	479,168
Airport Generator	58,251
Septic to Sewer	2,697,456
Wastewater Feasibility Study Bell Road	200,000
Itchtucknee Springs Water Quality	1,800,000
Restore Gwen Lake	200,000
	<u>\$ 9,144,170</u>

Amounts received or receivable from grantor agencies are subject to audit or adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, could constitute liabilities of the applicable funds.

During 2018, the City entered into a development agreement related to the redevelopment of the Blanche Hotel property, in which the City agreed to make a one-time grant of \$1,000,000 to the developer, construct certain infrastructure related to the redevelopment project, and execute a 10-year guaranteed rental agreement. Under this agreement, the City commits to making rent advance payments in the amount of \$35,417 per month for 10 years starting upon completion of the renovation project. The advanced rent will be refunded to the City in the form of a percentage of all rents collected by the developers monthly and a percentage of annual cash distributions, as defined in the agreement. Any rent advances not refunded will be repaid to the City upon the developer's refinancing of its original loans for development of the Blanche Hotel in no less than fifteen years, with interest, commencing on the date of refinancing. The developer's loan is secured by a subordinated mortgage and security agreement which encumbers the real estate, improvements, and other property of the developer. The \$1,000,000 grant was paid during the fiscal year ended September 30, 2018.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(8) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue bonds and notes	\$ 7,669,937	\$ -	\$ (517,793)	\$ 7,152,144	\$ 531,408
Compensated absences	777,416	668,783	(687,674)	758,525	588,044
Capital leases	-	1,394,357	-	1,394,357	116,753
Governmental activities – Total long-term liabilities	<u>\$ 8,447,353</u>	<u>\$ 2,063,140</u>	<u>\$ (1,205,467)</u>	<u>\$ 9,305,026</u>	<u>\$ 1,119,452</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 36,020,000	\$ -	\$ (1,454,000)	\$ 34,566,000	\$ 1,497,000
Add deferred amount:					
Original issue (premium)	115,266	-	(5,259)	110,007	-
Total bonds and notes payable	<u>36,135,266</u>	<u>-</u>	<u>(1,459,259)</u>	<u>34,676,007</u>	<u>1,497,000</u>
Compensated absences	416,050	263,422	(249,568)	429,904	308,706
Business-type activities – Total long-term liabilities	<u>\$ 36,551,316</u>	<u>\$ 263,422</u>	<u>\$ (1,708,827)</u>	<u>\$ 35,105,911</u>	<u>\$ 1,805,706</u>

Bond, notes and capital lease payable in the City’s governmental activities at September 30, 2019, were comprised of the following obligations:

Series 2012 Sales Tax Revenue and Refunding Bonds, was issued to refund Series 2011 Bonds and to finance public capital projects, due in payments of principal plus interest at 2.89% semi-annually on January 1 and July 1 of each year until final maturity on July 1, 2030. Pledged by proceeds of local government half-cent sales tax revenue, including investment income of certain funds.	\$ 3,448,348
Series 2015 Community Redevelopment Agency Revenues Note, was issued to fund the construction of redevelopment projects in the Community Redevelopment Area, due in payments of principal plus interest at 1.80% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2030. Pledged by Community Redevelopment Agency tax increment revenues.	1,025,206
Series 2017 Airport Revenue Bonds was issued to construct certain capital improvements at the Lake City Gateway airport, due in payments of principal plus interest at 2.58% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2032. Pledged by local communications services tax and airport revenues.	2,678,590
Capital lease agreement entered into in July 2019 for police equipment, due in payments of principal plus interest at 3.89% annually on July 1 of each year until final maturity on July 1, 2029.	1,394,357
Total revenue bonds, notes and capital lease payable	<u>\$ 8,546,501</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(8) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the City's governmental activities bonds, notes and capital leases payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 648,161	\$ 237,956	\$ 886,117
2021	666,687	219,440	886,127
2022	685,749	200,372	886,121
2023	705,375	180,737	886,112
2024	725,597	160,515	886,112
2025-2029	3,953,195	477,400	4,430,595
2030-2032	1,161,737	41,129	1,202,866
Total	<u>\$ 8,546,501</u>	<u>\$ 1,517,549</u>	<u>\$ 10,064,050</u>

Bonds payable in the City's business-type activities at September 30, 2019, were comprised of the following obligations:

Series 2010A Utility System Refunding Revenue Bonds, were issued in the amount of \$9,815,000 to refund Utilities Revenue Bonds Series 1998A and 2000. Due in payments of principal plus interest ranging from 3.5 to 5.0% semi-annually beginning in 2017 on January 1 and July 1 of each year until final maturity on July 1, 2028.	\$ 8,050,000
Series 2010B Utility System Revenue Bonds were issued in the amount of \$18,385,000 to finance the expansion of the City's sewer capital projects. Due serially beginning in 2028 with interest rates ranging from 6.025 to 6.275%, payable in semi-annual installments due on January 1 and July 1 through July 1, 2040.	18,385,000
Series 2013 Utility System Refunding Revenue Bonds, were issued in the amount of \$3,057,200 to refund Series 2003 Revenue and Refunding bonds and to finance improvements to the City's water and sewer system. Due serially with interest at 1.27%, payable in semi-annual installments due on January 1 and July 1 through July 1, 2023. Pledged by water and sewer fund revenues.	641,000
Series 2016 Utility System Refunding Revenue Bonds, were issued in the amount of \$9,547,000 to refund the State Revolving Fund Loan and construct improvements to the City's water and sewer system. Due in payments of principal plus interest at 1.79% semi-annually with payments on December 15 and June 15 through June 15, 2029. Principal and interest are payable solely from and secured by a lien on the net revenues of the City's water and sewer utility systems	7,490,000
Total revenue bonds payable	<u>\$ 34,566,000</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(8) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the City’s business-type activities bonds payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,497,000	\$ 1,594,960	\$ 3,091,960
2021	1,529,000	1,500,106	3,029,106
2022	1,572,000	1,485,467	3,057,467
2023	1,616,000	1,470,549	3,086,549
2024	1,726,000	1,430,528	3,156,528
2025-2029	9,466,000	6,342,254	15,808,254
2030-2034	6,880,000	4,523,586	11,403,586
2035-2039	8,390,000	2,213,217	10,603,217
2040	1,890,000	118,598	2,008,598
Total	<u>\$ 34,566,000</u>	<u>\$ 20,679,265</u>	<u>\$ 55,245,265</u>

(9) **Tax Abatements:**

City entered into an agreement with a local corporation to abate certain ad valorem taxes in exchange for economic incentives. Article VII, Section 3 of the Florida Constitution and Section 16.1995, Florida Statutes, and the electorate of the City, have granted City Council the authority to grant property tax exemptions for new business and expansions of existing businesses. The City Council approved Ordinance 2019-006, granting the corporation an ad valorem tax exemption for a term of five years. Amount of taxes abated for year ended September 30, 2019, is \$7,930.

(10) **Contingencies:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2019. The outcomes of established claims are included in these financial statements. In the opinion of the City’s legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

As part of operating the City’s natural gas system, the City has committed to purchase various quantities of natural gas, at fixed and variable prices, over the next several years. These contracts allow the City to secure a reliable supply of natural gas for its customers. Currently, the anticipated demand for natural gas by the City’s customers exceeds the supply scheduled in advance by the City.

(11) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City is a member of the Florida Municipal Self-Insurance fund (the Fund). The fund was created to allow members to pool their liabilities pursuant to provisions in Florida Workers’ Compensation Law. The City pays an annual premium to the Fund for workers’ compensation coverage. The Fund’s underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is not assessable and the City has no liability for future deficits of the Fund, if any.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(12) Other Postemployment Benefits (OPEB):

Plan Description—Effective October 1, 2017, the City implemented GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, for certain post-employment healthcare benefits provided by the City. The City elected to implement the requirements of this statement prospectively. No assets are held in trust for payment of the OPEB liability as the City had no OPEB liability other than as arising from the implicit rate subsidy, as discussed in the following paragraph.

Retirees and their dependents are permitted to remain covered under the City’s respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report

Benefits Provided—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 75 calls this the “implicit rate subsidy.”

Plan Membership—At October 1, 2017, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Members	237
Inactive Members	10
	247

Total OPEB Liability—The City’s total OPEB liability of \$129,911 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases (FRS, General and Fire)	3.15%
Salary increases (Police)	15.00% first year and 5% each subsequent year
Discount rate	3.58%
Healthcare cost trend rate	8.50%
	Ultimate rate reached in 2073 4.00%
Retirees’ share of benefit-related costs	100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the 20 Year Municipal Bond Rate as of September 30, 2019.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(12) **Other Postemployment Benefits (OPEB):** (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for males and females with mortality projected generationally with Improvement Scale BB.

Changes in the OPEB liability for the fiscal year ended September 30, 2019, were as follows:

	Total OPEB Liability
Balance at September 30, 2018	\$ 132,959
Changes for a year:	
Service cost	5,703
Interest	5,361
Changes of assumptions	6,934
Benefit payments – implicit rate subsidy	(21,046)
Net changes	(3,048)
Balance at September 30, 2019	\$ 129,911

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City calculated using the discount rate of 3.58%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 142,764	\$ 129,911	\$ 118,356

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the City as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3.00%-7.50%) or 1% higher (5.00%-9.50%) than the current healthcare cost trend rates (4.00%-8.50%):

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 113,422	\$ 129,911	\$ 149,802

**CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

(12) **Other Postemployment Benefits (OPEB):** (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2019, the City recognized OPEB expense of \$13,176. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 5,943	\$ 4,397

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	112
2021	112
2022	112
2023	112
2024	110
Thereafter	988

(13) **Employee Retirement Systems and Pension Funds:**

A. Florida Retirement System

Plan Description and Administration

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. 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. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS 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.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2019</u>	<u>After June 30, 2019</u>
Regular Class	8.26%	8.47%
Elected Officers	48.70%	48.82%
Senior Management Service	24.06%	25.40%
Special Risk Regular	24.50%	25.48%
DROP from FRS	9.62%	9.92%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for entity employees participating in FRS and HIS for the plan year ended June 30, 2019, were as follows:

Entity Contributions – FRS	\$ 383,874
Entity Contributions – HIS	89,507
Employee Contributions – FRS	161,759

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2019, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 4,263,551
HIS	1,803,540
Total	<u>\$ 6,067,091</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2019 and June 30, 2018, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2019</u>	<u>2018</u>
FRS	0.012380148%	0.011489332%
HIS	0.016118867%	0.015439074%

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

For the plan year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	1,161,390
HIS		198,004
Total	\$	<u>1,359,394</u>

Deferred outflows/inflows related to pensions:

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 252,883	\$ (2,646)	\$ 21,906	\$ (2,208)
Changes of assumptions	1,095,063	-	208,883	(147,407)
Net different between projected and actual investment earnings	-	(235,882)	1,164	-
Change in proportionate share	332,250	(50,978)	157,098	-
Contributions subsequent to measurement date	108,901	-	24,054	-
	<u>\$ 1,789,097</u>	<u>\$ (289,506)</u>	<u>\$ 413,055</u>	<u>\$ (149,615)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year	Amount
2020	\$ 488,247
2021	416,265
2022	365,518
2023	210,542
2024	100,844
Thereafter	48,660
Total	<u>\$ 1,630,076</u>

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) Employee Retirement Systems and Pension Funds: (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.90%. This rate decreased from the prior year rate, which was 7.00%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. Mortality assumptions for both plans were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2019, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	10.0%	6.7%
Private equity	11.0%	11.2%
Strategic investments	6.0%	5.9%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.90%	\$ 7,370,260	\$ 4,263,551	\$ 1,668,923
HIS	3.50%	2,058,833	1,803,540	1,590,909

**CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

B. City-Sponsored Defined Benefit Pension Plans

Plan Description and Administration

The City maintains three separate single-employer, defined benefit pension plans: The City of Lake City Municipal Firefighters' Pension Trust Fund (the Fire Plan) covers all of the City's fire and rescue personnel; the City of Lake City Municipal Police Officers' Pension Trust Fund (the Police Plan) covers all of the City's police officers; the City of Lake City Employees' Retirement Plan Fund (the General Employees Plan) covers other general employees of the City. These plans contain the assets, liabilities and net position of each respective plan.

All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City's asset valuation are based on the custodian's determination of value.

The City also has a Deferred Retirement Option Program for eligible Police and Fire Plan participants. The DROP Plan allows members who have met the eligibility requirement for normal retirement to have their retirement benefits deposited monthly into a DROP account, earning interest, while simultaneously continuing to work (but not earning additional credit for retirement) for up to thirty-six months (3 years) for General and Fire Plan and sixty months (5 years) for Police Plan. Employees who enter the DROP Program have an option of either receiving their earned compensated absences when they enter the program in one lump sum, or to receive the lump sum at the end of their employment with the City. The purpose of this program is to provide a way for retirees to accumulate additional savings while continuing employment.

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

Benefits Provided and Employees Covered

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries in accordance with the respective plan provisions. Each of the Plans has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the employee retirement plans was composed of the following at October 1, 2019:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Retirees and beneficiaries currently receiving benefits, including DROP participants	101	24	20
Vested terminated employees	10	19	3
Active participants	18	35	18
Total current membership	129	78	41

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) Employee Retirement Systems and Pension Funds: (Continued)

General Employees' Plan

The General Employees' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to regular full-time employees who are not classified as full-time sworn police officers or firefighters. As of January 1, 2006, the General Employees' Plan was closed to all new employees and participating employees were given the option to withdraw from the plan.

The General Employees' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

For non-elected members, normal retirement is generally available upon the earlier of: 1) attainment of age sixty-two and the completion of ten years of credited service, or 2) completion of thirty years of credited service regardless of age. For elected members, normal retirement is available upon attainment of age sixty-two and completion of eight years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty-two and the completion of ten years of credited service for non-elected members and attainment of age fifty-two and the completion of eight years of service in excess of fifteen years.

For non-elected members, the normal retirement benefit shall be equal to 2.00% of final average earnings times the first fifteen years of credited service plus 2.50% of final average earnings times credited service in excess of fifteen years. For elected members, the normal retirement benefit shall be equal to 3.00% of final average earnings times the first fifteen years of credited service plus 3.50% of final average earnings time credited service in excess of fifteen years.

Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who completed at least twenty years of credited service and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 2% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the General Employees Plan investment policies.

Police Officers' Plan

The Police Officers' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time police officers.

The Police Officers' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) Employee Retirement Systems and Pension Funds: (Continued)

The normal retirement benefit shall be equal to 3.00% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Police Plan investment policies.

Firemen's Plan

The Firemen's Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time firefighters.

The Firemen's Plan is administered by the Firemen's Pension Board. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 2.75% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Fire Plan investment policies.

Financial Statements

The financial statements of the plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. The City's single-employer pension plans do not issue stand-alone financial statements

Contributions

The State of Florida also makes contributions to the Firefighters' and Police Officers' Retirement Plans in accordance with Chapter 175 and Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for each plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Contributions to the City's pension plans for the year ended September 30, 2019, were as follows:

	<u>General Employees' Plan</u>	<u>Police Officers' Plan</u>	<u>Firemen's Plan</u>	<u>Total</u>
Employee contributions	\$ 14,057	\$ 87,382	\$ 46,851	\$ 148,290
City contributions	904,774	237,501	355,220	1,497,495
State contributions	-	117,283	63,423	180,706
Total contributions	<u>\$ 918,831</u>	<u>\$ 442,166</u>	<u>\$ 465,494</u>	<u>\$ 1,826,491</u>

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2019:

<u>Asset Class</u>	<u>Target Asset Allocation</u>		
	<u>General Employees' Plan</u>	<u>Police Officers' Plan</u>	<u>Firemen's Plan</u>
Domestic equities	90%	50%	60%
Bonds	5%	0%	30%
Cash and equivalents	2%	0%	0%
Real estate	3%	0%	0%
International equities	0%	15%	10%
Broad market fixed income	0%	30%	0%
Non-core fixed income	0%	5%	0%

Net Pension Liability

The components of the net pension liability of the pension plans at September 30, 2019, were as follows:

	<u>General Employees' Plan</u>	<u>Police Officers' Plan</u>	<u>Firemen's Plan</u>	<u>Total</u>
Total pension liability	\$ 24,021,927	\$ 15,192,253	\$ 10,657,586	\$ 49,871,766
Plan fiduciary net position	<u>(21,721,272)</u>	<u>(16,656,870)</u>	<u>(10,312,882)</u>	<u>(48,691,024)</u>
Net pension liability (asset)	<u>\$ 2,300,655</u>	<u>\$ (1,464,617)</u>	<u>\$ 344,704</u>	<u>\$ 1,180,742</u>
Plan fiduciary net position as percentage of total pension liability	90.42%	109.64%	96.77%	97.63%

The total pension liability was determined by an actuarial valuation as of October 1, 2018 and measurement date of September 30, 2019, using the following actuarial assumptions to all measurement periods.

**CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Inflation	3.25%	2.50%	3.00%
Salary increases	4.00-7.00%	Service based	4.00-7.00%
Investment rate of return	7.75%	7.50%	7.75%
Mortality table	PUB2010	RP2000	PUB2010

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return		
	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Domestic equities	8.55%	7.50%	5.70%
Bonds	0.28%	n/a	1.65%
Cash and equivalents	0.04%	n/a	n/a
Real estate	0.23%	n/a	n/a
International equities	n/a	8.50%	1.05%
Broad market fixed income	n/a	2.50%	n/a
Non-core fixed income	n/a	3.50%	n/a

Discount rate:

The discount rate used to measure the total pension liability for each pension plan varied as discussed on the following pages. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Changes in net pension liability:

Changes in each plan's net pension liability were as follows:

	General Employees' Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 23,923,310	\$ 21,968,490	\$ 1,954,820
Changes for year:			
Service cost	60,437	-	60,437
Interest	1,790,729	-	1,790,729
Differences between expected/actual experience	2,584	-	2,584
Changes of assumptions	-	-	-
Contributions – employer	-	904,774	(904,774)
Contributions – employee	-	14,057	(14,057)
Net investment income	-	623,945	(623,945)
Benefit payments, including refunds	(1,755,133)	(1,755,133)	-
Administrative expenses	-	(34,861)	34,861
Net changes	<u>98,617</u>	<u>(247,218)</u>	<u>345,835</u>
Ending Balance	<u>\$ 24,021,927</u>	<u>\$ 21,721,272</u>	<u>\$ 2,300,655</u>

	Police Officers' Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a - b)
Beginning Balance	\$ 14,729,445	\$ 16,411,043	\$ (1,681,598)
Changes for year:			
Service cost	340,336	-	340,336
Interest	1,099,762	-	1,099,762
Changes in benefit terms	-	-	-
Differences between expected/actual experience	(185,395)	-	(185,395)
Changes of assumptions	-	-	-
Contributions – employer	-	237,500	(237,500)
Contributions – state	-	117,283	(117,283)
Contributions – employee	-	87,382	(87,382)
Net investment income	-	633,430	(633,430)
Benefit payments, including refunds	(791,895)	(791,895)	-
Administrative expenses	-	(37,873)	37,873
Net changes	<u>462,808</u>	<u>245,827</u>	<u>216,981</u>
Ending Balance	<u>\$ 15,192,253</u>	<u>\$ 16,656,870</u>	<u>\$ (1,464,617)</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

	Firemen's Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 10,878,447	\$ 10,355,715	\$ 522,732
Changes for year:			
Service cost	99,824	-	99,824
Interest	826,579	-	826,579
Differences between expected/actual experience	(521,796)	-	(521,796)
Changes of assumptions	-	-	-
Contributions – employer	-	355,220	(355,220)
Contributions – state	-	63,423	(63,423)
Contributions – employee	-	46,851	(46,851)
Net investment income	-	168,343	(168,343)
Benefit payments, including refunds	(625,468)	(625,468)	-
Administrative expenses	-	(51,202)	51,202
Net changes	<u>(220,861)</u>	<u>(42,833)</u>	<u>(178,028)</u>
Ending Balance	<u>\$ 10,657,586</u>	<u>\$ 10,312,882</u>	<u>\$ 344,704</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City calculated using the selected discount rates, as well as what the City's net pension liability (NPL) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
General Employees	7.75%	\$ 4,598,586	\$ 2,300,655	\$ 173,551
Police	7.50%	502,376	(1,464,617)	(3,079,958)
Fire	7.75%	1,638,978	344,704	(634,052)
Total		<u>\$ 6,739,940</u>	<u>\$ 1,180,742</u>	<u>\$ (3,540,459)</u>

For the year ended September 30, 2019, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	<u>General Employees Plan</u>	<u>Police Officers' Plan</u>	<u>Firemen's Plan</u>
Annual money-weighted rate of return	7.01%	3.91%	1.39%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$316,059, \$220,246, and \$240,425 in the General Employees, Police Officers', and Firemen's pension plans, respectively, for a total of \$776,730.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees' Plan		Police Officers' Plan		Firemen's Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 93,036	\$ (515,954)	\$ 204,996	\$ (434,207)
Changes of assumptions	-	-	117,491	-	69,222	-
Net different between projected and actual investment earnings	835,885	(943,677)	42,298	-	500,833	(508,387)
	<u>\$ 835,885</u>	<u>\$ (943,677)</u>	<u>\$ 252,825</u>	<u>\$ (515,954)</u>	<u>\$ 775,051</u>	<u>\$ (942,594)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
2020	\$ (211,523)	\$ (226,700)	\$ (155,529)
2021	(158,426)	(205,925)	(43,632)
2022	53,186	52,923	10,768
2023	208,971	116,573	20,850
2024	-	-	-
Thereafter	-	-	-

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

C. Pension Fund Financial Statements

The City does not issue separate financial statements for General Employees' Police Officers', or Firemen's Pension Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2019:

STATEMENT OF FIDUCIARY NET POSITION

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents with trustee	\$ 2,257,498	\$ 610,151	\$ 538,595	\$ 3,406,244
Receivables				
Contributions receivable	36,511	124,532	64,027	225,070
Interest and dividends receivable	30,106	33,686	27,194	90,986
Total receivables	<u>66,617</u>	<u>158,218</u>	<u>91,221</u>	<u>316,056</u>
Investments, at fair value				
Corporate bonds	605,589	4,866,145	1,361,866	6,833,600
Municipal bonds	787,733	-	1,350,556	2,138,289
Equities	8,808,711	11,045,694	6,991,103	26,845,508
Mutual funds	9,195,809	-	-	9,195,809
Total investments	<u>19,397,842</u>	<u>15,911,839</u>	<u>9,703,525</u>	<u>45,013,206</u>
Total assets	<u>\$ 21,721,957</u>	<u>\$ 16,680,208</u>	<u>\$ 10,333,341</u>	<u>\$ 48,735,506</u>
LIABILITIES				
Accounts payable	<u>\$ 685</u>	<u>\$ 23,338</u>	<u>\$ 20,459</u>	<u>\$ 44,482</u>
NET POSITION				
Restricted for pensions	<u>\$ 21,721,272</u>	<u>\$ 16,656,870</u>	<u>\$ 10,312,882</u>	<u>\$ 48,691,024</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	General Plan	Police Plan	Fire Plan	Total
Additions				
Contributions:				
Employer	\$ 904,774	\$ 237,501	\$ 355,220	\$ 1,497,495
Plan members	14,057	87,382	46,851	148,290
State - insurance premium taxes	-	117,283	63,423	180,706
Total contributions	<u>918,831</u>	<u>442,166</u>	<u>465,494</u>	<u>1,826,491</u>
Investment earnings				
Net appreciation (depreciation) in fair value of investments	(691,659)	(34,782)	(389,399)	(1,115,840)
Interest and dividends	1,452,138	738,102	618,205	2,808,445
Total investment earnings	<u>760,479</u>	<u>703,320</u>	<u>228,806</u>	<u>1,692,605</u>
Less: investment expense	(136,534)	(81,691)	(84,731)	(302,956)
Net investment income (loss)	<u>623,945</u>	<u>621,629</u>	<u>144,075</u>	<u>1,389,649</u>
Total additions	<u>1,542,776</u>	<u>1,063,795</u>	<u>609,569</u>	<u>3,216,140</u>
Deductions				
Benefit payments and refunds	1,755,133	791,895	625,468	3,172,496
Administrative expenses	34,861	26,073	26,934	87,868
Total deductions	<u>1,789,994</u>	<u>817,968</u>	<u>652,402</u>	<u>3,260,364</u>
Change in net position	<u>(247,218)</u>	<u>245,827</u>	<u>(42,833)</u>	<u>(44,224)</u>
Net position restricted for pensions, beginning of year	21,968,490	16,411,043	10,355,715	48,735,248
Net position restricted for pensions, end of year	<u>\$21,721,272</u>	<u>\$16,656,870</u>	<u>\$10,312,882</u>	<u>\$48,691,024</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(14) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2019, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019.
- (b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (c) GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, in August 2018. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2019.
- (d) GASB issued Statement No. 91, *Conduit Debt Obligations*, in May 2019. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in GASB 90 are effective for periods beginning after December 15, 2021.

(15) Subsequent Events:

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of June 26, 2020, management believes that a material impact on City's financial position and results of future operations is reasonably possible.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAKE CITY, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	2019	2018
Total OPEB Liability		
Service cost	\$ 5,703	\$ 6,136
Interest	5,361	5,232
Changes of assumptions	6,934	(6,155)
Benefit payments - implicit rate subsidy	(21,046)	(19,532)
Net change in total OPEB liability	(3,048)	(14,319)
Total OPEB liability - beginning of year	132,959	147,278
Total OPEB liability - end of year	\$ 129,911	\$ 132,959

Notes to Schedule:

Valuation date: 10/1/2017

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2019	3.58%
2018	4.18%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION PLAN
SEPTEMBER 30, 2019
(UNAUDITED)

Fiscal Year Ending September 30,	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 60,437	\$ 93,780	\$ 92,950	\$ 126,321	\$ 151,095	\$ 193,901
Interest	1,790,729	1,765,941	1,661,505	1,652,136	1,604,706	1,642,659
Difference between actual and expected experience	2,584	141,087	-	(241,541)	52,506	(512,911)
Changes of assumptions	-	-	1,052,237	-	40,814	39,439
Benefit payments including refunds of contributions	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)	(1,190,298)	(1,139,297)
Net change in total pension liability	98,617	460,699	1,426,890	151,412	658,823	223,791
Total pension liability - beginning	23,923,310	23,462,611	22,035,721	21,884,309	21,225,486	21,001,695
Total pension liability - ending (a)	<u>\$ 24,021,927</u>	<u>\$ 23,923,310</u>	<u>\$ 23,462,611</u>	<u>\$ 22,035,721</u>	<u>\$ 21,884,309</u>	<u>\$ 21,225,486</u>
Total Fiduciary Net Position						
Contributions - employer	\$ 904,774	\$ 959,005	\$ 960,362	\$ 903,328	\$ 985,384	\$ 1,089,395
Contributions - employee	14,057	16,597	19,425	23,359	26,763	31,280
Net investment income	623,945	2,324,679	2,453,755	1,575,111	(252,263)	1,690,061
Benefit payments, including refunds of contributions	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)	(1,190,298)	(1,144,518)
Administrative expense	(34,861)	(38,286)	(32,166)	(38,134)	(39,845)	(34,060)
Net change in plan fiduciary net position	(247,218)	1,721,886	2,021,574	1,078,160	(470,259)	1,632,158
Plan fiduciary net position - beginning	21,968,490	20,246,604	18,225,030	17,146,870	17,617,129	15,984,971
Plan fiduciary net position - ending (b)	<u>\$ 21,721,272</u>	<u>\$ 21,968,490</u>	<u>\$ 20,246,604</u>	<u>\$ 18,225,030</u>	<u>\$ 17,146,870</u>	<u>\$ 17,617,129</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,300,655</u>	<u>\$ 1,954,820</u>	<u>\$ 3,216,007</u>	<u>\$ 3,810,691</u>	<u>\$ 4,737,439</u>	<u>\$ 3,608,357</u>
Plan fiduciary net position as a percentage of the total pension liability	90.42%	91.83%	86.29%	82.71%	78.35%	83.00%
Covered payroll	\$ 855,211	\$ 1,015,616	\$ 1,087,009	\$ 1,129,111	\$ 1,496,576	\$ 1,625,433
Net pension liability as a percentage of covered payroll	269.02%	192.48%	295.86%	337.49%	316.55%	221.99%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2019
(UNAUDITED)

Fiscal Year Ending September 30,	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 340,336	\$ 368,645	\$ 341,397	\$ 437,718	\$ 425,461	\$ 432,783
Interest	1,099,762	1,041,883	1,050,183	1,014,179	969,009	906,193
Changes in benefit terms	-	-	-	(132,292)	-	-
Difference between actual and expected experience	(185,395)	155,061	(741,233)	(303,219)	(118,614)	-
Changes of assumptions	-	-	-	587,453	-	-
Benefit payments including refunds of contributions	(791,895)	(739,201)	(837,333)	(609,763)	(536,201)	(506,056)
Net change in total pension liability	462,808	826,388	(186,986)	994,076	739,655	832,920
Total pension liability - beginning	14,729,445	13,903,057	14,090,043	13,095,967	12,356,312	11,523,392
Total pension liability - ending (a)	\$ 15,192,253	\$ 14,729,445	\$ 13,903,057	\$ 14,090,043	\$ 13,095,967	\$ 12,356,312
Total Fiduciary Net Position						
Contributions - employer	\$ 237,500	\$ 296,710	\$ 297,723	\$ 514,483	\$ 689,254	\$ 605,655
Contributions - state	117,283	105,293	112,064	118,886	95,363	95,877
Contributions - employee	87,382	93,893	85,582	84,732	88,082	84,726
Net investment income	633,430	1,379,459	1,595,827	1,279,744	(359,178)	1,184,164
Benefit payments, including refunds of contributions	(791,895)	(739,201)	(837,333)	(609,763)	(536,201)	(506,056)
Administrative expense	(37,873)	(37,338)	(33,774)	(44,309)	(33,094)	(20,159)
Net change in plan fiduciary net position	245,827	1,098,816	1,220,089	1,343,773	(55,774)	1,444,207
Plan fiduciary net position - beginning	16,411,043	15,312,227	14,092,138	12,748,365	12,804,139	11,359,932
Plan fiduciary net position - ending (b)	\$ 16,656,870	\$ 16,411,043	\$ 15,312,227	\$ 14,092,138	\$ 12,748,365	\$ 12,804,139
Net pension liability (asset) - ending (a) - (b)	\$ (1,464,617)	\$ (1,681,598)	\$ (1,409,170)	\$ (2,095)	\$ 347,602	\$ (447,827)
Plan fiduciary net position as a percentage of the total pension liability	109.64%	111.42%	110.14%	100.01%	97.35%	103.62%
Covered payroll	\$ 1,747,646	\$ 1,877,855	\$ 1,711,639	\$ 1,694,648	\$ 1,819,061	\$ 1,694,522
Net pension liability as a percentage of covered payroll	-83.81%	-89.55%	-82.33%	-0.12%	19.11%	-26.43%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREMEN'S PENSION PLAN
SEPTEMBER 30, 2019
(UNAUDITED)

Fiscal Year Ending September 30,	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 99,824	\$ 153,355	\$ 141,339	\$ 129,860	\$ 129,239	\$ 120,314
Interest	826,579	786,676	750,730	723,418	661,734	594,942
Difference between actual and expected experience	(521,796)	341,659	-	(83,851)	212,813	759,502
Changes of assumptions	-	-	173,054	-	204,390	-
Benefit payments including refunds of contributions	(625,468)	(801,078)	(425,576)	(431,420)	(449,619)	(369,386)
Net change in total pension liability	(220,861)	480,612	639,547	338,007	758,557	1,105,372
Total pension liability - beginning	10,878,447	10,397,835	9,758,288	9,420,281	8,661,724	7,556,352
Total pension liability - ending (a)	\$ 10,657,586	\$ 10,878,447	\$ 10,397,835	\$ 9,758,288	\$ 9,420,281	\$ 8,661,724
Total Fiduciary Net Position						
Contributions - employer	\$ 355,220	\$ 314,888	\$ 368,917	\$ 305,436	\$ 254,845	\$ 294,336
Contributions - state	63,423	63,787	-	-	-	-
Contributions - employee	46,851	41,533	43,185	41,491	41,979	41,811
Net investment income	168,343	1,124,631	1,111,293	1,066,780	(289,594)	971,584
Benefit payments, including refunds of contributions	(625,468)	(801,078)	(425,576)	(431,420)	(449,619)	(369,386)
Administrative expense	(51,202)	(61,945)	(54,477)	(43,425)	(38,590)	(30,193)
Other	-	-	-	-	32,341	-
Net change in plan fiduciary net position	(42,833)	681,816	1,043,342	938,862	(448,638)	908,152
Plan fiduciary net position - beginning	10,355,715	9,673,899	8,630,557	7,691,695	8,140,333	7,232,181
Plan fiduciary net position - ending (b)	\$ 10,312,882	\$ 10,355,715	\$ 9,673,899	\$ 8,630,557	\$ 7,691,695	\$ 8,140,333
Net pension liability - ending (a) - (b)	\$ 344,704	\$ 522,732	\$ 723,936	\$ 1,127,731	\$ 1,728,586	\$ 521,391
Plan fiduciary net position as a percentage of the total pension liability	96.77%	95.19%	93.04%	88.44%	81.65%	93.98%
Covered payroll	\$ 793,729	\$ 879,278	\$ 861,178	\$ 834,327	\$ 805,330	\$ 808,371
Net pension liability as a percentage of covered payroll	43.43%	59.45%	84.06%	135.17%	214.64%	64.50%

*10 years of data will be presented as it becomes available.

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' PENSION PLAN
SEPTEMBER 30, 2019
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2019	\$ 930,235	\$ 939,834	\$ (9,599)	\$ 855,211	109.89%
2018	974,284	996,166	(21,882)	1,015,616	98.08%
2017	995,683	997,576	(1,893)	1,087,009	91.77%
2016	976,209	938,332	37,877	1,129,111	83.10%
2015	988,182	1,023,568	(35,386)	1,496,576	68.39%
2014	1,123,502	1,130,821	(7,319)	1,625,433	69.57%

Notes to Schedule:

Valuation Date: 10/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	10 to 15 Years Based on Year Established
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	3.25%
Investment Rate of Return:	7.75%
Salary Increases:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

*10 years of data will be presented as it becomes available

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2019
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2019	\$ 328,557	\$ 354,783	\$ (26,226)	\$ 1,747,646	20.30%
2018	339,892	402,003	(62,111)	1,877,855	21.41%
2017	373,137	409,787	(36,650)	1,711,639	23.94%
2016	460,944	633,369	(172,425)	1,694,648	37.37%
2015	598,956	784,617	(185,661)	1,819,061	43.13%
2014	701,532	701,532	-	1,694,522	41.40%

Notes to Schedule:

Valuation Date: 10/1/2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method
Amortization Method: Level Percentage of Pay, Closed
Remaining Amortization Period: 30 Years (as of 10/1/2015 Valuation)
Mortality: RP-2000 Table with No Projection - (Disabled Lives Set Forward 5 Years)
Retirement Age: Earlier of Age 55 and 10 Years of Service, or Age 52 with 25 Years of Service
Interest Rate: 7.50% per Year Compounded Annually, Net of Investment Related Expenses
Salary Increases: 15.00% in first year of employment and 5.00% per year during each subsequent year, until the assumed retirement age.
Early Retirement: Commencing with the Attainment of Early Retirement Status, Members are Assumed to Retire with an Immediate Subsidized Benefit at the Rate of 5% per Year
Payroll Growth: 1.00% per Year
Cost of Living Adjustment: 2.00% per Year Beginning at Age 60
Asset Valuation Method: Each Year, the Prior Actuarial Value of Assets is Brought Forward Utilizing the Historical Geometric 4-Year Average Market Value Return; it is Possible that Over Time this Technique will Produce an Insignificant Bias Above or Below Market Value
Termination and Disability Rate: See Table Below

Age	Percent Terminating During the Year	Percent Becoming Disabled During the Year
20	9.00%	0.15%
30	7.50%	0.20%
40	3.90%	0.35%
50	1.20%	0.90%

*10 years of data will be presented as it becomes available.

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREMEN'S PENSION PLAN
SEPTEMBER 30, 2019
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2019	\$ 382,219	\$ 434,865	\$ (52,646)	\$ 793,729	54.79%
2018	384,222	393,349	(9,127)	879,278	44.74%
2017	382,832	383,213	(381)	861,178	44.50%
2016	382,832	317,272	65,560	834,327	38.03%
2015	249,267	264,721	(15,454)	805,330	32.87%
2014	292,123	303,916	(11,793)	808,371	37.60%

Notes to Schedule:

Valuation Date: 10/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	10 to 15 Years Based on Year Established
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	3.00%
Investment Rate of Return:	7.75%
Salary Increases:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

*10 years of data will be presented as it becomes available.

**CITY OF LAKE CITY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF INVESTMENT RETURNS
 SEPTEMBER 30, 2019
 (UNAUDITED)**

For the Year Ending September 30,	General Employees' Pension Plan	Police Officers' Pension Plan	Firemen's Pension Plan
2019	7.01%	3.91%	1.39%
2018	8.68%	9.11%	9.57%
2017	14.41%	11.49%	13.03%
2016	9.97%	10.06%	14.81%
2015	-0.82%	-2.79%	-2.72%
2014	11.31%	10.38%	14.75%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)						
Proportion of the net pension liability	0.012380148%	0.011489332%	0.010534545%	0.010698858%	0.011407846%	0.009832049%
Proportionate share of the net pension liability	\$ 4,263,551	\$ 3,460,646	\$ 3,116,048	\$ 2,701,470	\$ 1,473,476	\$ 599,900
Covered payroll	5,391,958	5,043,764	4,883,093	4,722,366	4,587,672	3,918,194
Proportionate share of the net pension liability as a percentage of covered payroll	79.07%	68.61%	63.81%	57.21%	32.12%	15.31%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)						
Proportion of the net pension liability	0.016118867%	0.015439074%	0.015319547%	0.015298419%	0.015115116%	0.013187655%
Proportionate share of the net pension liability	\$ 1,803,540	\$ 1,634,089	\$ 1,638,037	\$ 1,782,967	\$ 1,541,506	\$ 1,233,078
Covered payroll	5,391,958	5,043,764	4,883,093	4,722,366	4,587,672	3,918,194
Proportionate share of the net pension liability as a percentage of covered payroll	33.45%	32.40%	33.55%	37.76%	33.60%	31.47%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**CITY OF LAKE CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	As of the Plan Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)						
Contractually required contribution	\$ 383,874	\$ 327,437	\$ 274,240	\$ 260,909	\$ 278,133	\$ 215,364
Contributions in relation to the contractually required contribution	383,874	327,437	274,240	260,909	278,133	215,364
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366	\$ 4,587,672	\$ 3,918,194
Contributions as a percentage of covered payroll	7.12%	6.49%	5.62%	5.52%	6.06%	5.50%
Health Insurance Subsidy Program (HIS)						
Contractually required contribution	\$ 89,507	\$ 83,726	\$ 81,075	\$ 78,414	\$ 57,779	\$ 45,176
Contributions in relation to the contractually required contribution	89,507	83,726	81,075	78,414	57,779	45,176
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366	\$ 4,587,672	\$ 3,918,194
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

SUPPLEMENTARY INFORMATION

**CITY OF LAKE CITY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>Special Revenue Funds</u>						Total Nonmajor Governmental Funds
	<u>Airport</u>	<u>Seized Assets</u>	<u>Special Police</u>	<u>Drug Task Force Grant</u>	<u>CDBG Housing</u>	<u>Debt Service</u>	
ASSETS							
Equity in pooled cash and cash equivalents	\$ 429,317	\$ 64,299	\$ 53,680	\$ 10,000	\$ (74,928)	\$ 94,600	\$ 576,968
Receivables, net	1,770	-	-	-	-	-	1,770
Due from other governments	-	-	-	-	102,539	-	102,539
Inventories	25,818	-	-	-	-	-	25,818
Prepaid items	1,430	-	-	-	-	-	1,430
Total assets	<u>\$ 458,335</u>	<u>\$ 64,299</u>	<u>\$ 53,680</u>	<u>\$ 10,000</u>	<u>\$ 27,611</u>	<u>\$ 94,600</u>	<u>\$ 708,525</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 20,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,319
Customer deposits	100,000	-	-	-	-	-	100,000
Unearned revenue	-	16,894	-	-	-	-	16,894
Due to other funds	60,551	-	-	10,000	-	-	70,551
Total liabilities	<u>180,870</u>	<u>16,894</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>207,764</u>
FUND BALANCES							
Nonspendable:							
Inventories	25,818	-	-	-	-	-	25,818
Prepaid items	1,430	-	-	-	-	-	1,430
Restricted for:							
Public safety	-	47,405	53,680	-	-	-	101,085
Airport	250,217	-	-	-	-	-	250,217
Debt service	-	-	-	-	-	94,600	94,600
Health and welfare	-	-	-	-	27,611	-	27,611
Total fund balances	<u>277,465</u>	<u>47,405</u>	<u>53,680</u>	<u>-</u>	<u>27,611</u>	<u>94,600</u>	<u>500,761</u>
Total liabilities and fund balances	<u>\$ 458,335</u>	<u>\$ 64,299</u>	<u>\$ 53,680</u>	<u>\$ 10,000</u>	<u>\$ 27,611</u>	<u>\$ 94,600</u>	<u>\$ 708,525</u>

**CITY OF LAKE CITY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Airport	Seized Assets	Special Police	Drug Task Force Grant	CDBG Housing	Debt Service	
Revenues							
Intergovernmental	\$ -	\$ -	\$ -	\$ 12,846	\$ 315,936	\$ -	\$ 328,782
Charges for services	1,192,110	-	-	-	-	-	1,192,110
Investment income	12	33	-	-	-	-	45
Miscellaneous	122,893	-	14,437	-	-	-	137,330
Total revenues	1,315,015	33	14,437	12,846	315,936	-	1,658,267
expenditures							
Current:							
Public safety	-	-	-	12,846	-	-	12,846
Airport	1,046,859	-	-	-	-	-	1,046,859
Capital outlay	25,539	5,595	-	-	315,935	-	347,069
Debt service:							
Principal retirement	171,410	-	-	-	-	262,817	434,227
Interest and fiscal charges	72,431	-	-	-	-	105,367	177,798
Total expenditures	1,316,239	5,595	-	12,846	315,935	368,184	2,018,799
Excess (deficiency) of revenues over expenditures	(1,224)	(5,562)	14,437	-	1	(368,184)	(360,532)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	368,185	368,185
Net change in fund balances	(1,224)	(5,562)	14,437	-	1	1	7,653
Fund balances, beginning of year	278,689	52,967	39,243	-	27,610	94,599	493,108
Fund balances, end of year	\$ 277,465	\$ 47,405	\$ 53,680	\$ -	\$ 27,611	\$ 94,600	\$ 500,761

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF NET REVENUES AND DEBT SERVICE COVERAGE
UTILITY SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2010, SERIES 2013, AND SERIES 2016 RATE COVENANT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Gross revenues	
Charges for services	\$ 14,126,447
Other revenues	244,681
Connection and impact fees	268,453
Total gross revenues	<u>14,639,581</u>
Cost of operation and maintenance	
Personal services	3,864,232
Contractual services and supplies	3,123,400
Internal charges	980,000
Total cost of operation and maintenance	<u>7,967,632</u>
Net revenues	<u><u>\$ 6,671,949</u></u>
Current annual debt service	
2010A bonds	\$ 961,069
2010B bonds, net of \$375,068 Federal subsidy	765,198
2013 Bonds	168,633
2016 Bonds	821,192
Total current annual debt service	<u><u>\$ 2,716,092</u></u>
Debt service coverage ratio	<u><u>2.46</u></u>
Required minimum debt service coverage ratio	<u><u>1.10</u></u>

**CITY OF LAKE CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Federal/State Agency / Pass-Through Entity / Federal/State Program</u>	<u>CFDA / CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Housing and Urban Development</u>			
Indirect Programs:			
Passed-through Florida Department of Economic Opportunity Community Development Block Grant	14.228	17DB-OL-03-22-02-C02	\$ 315,935
<u>U.S. Department of Transportation</u>			
Direct Programs:			
National Priority Safety Programs	20.616	M2HVE-19-20-06	9,736
State and Community Highway Safety	20.600	SC-19-13-10	9,615
Total Highway Safety Cluster			<u>19,351</u>
Direct Programs:			
Airport Improvement Program	20.106	3-12-0039-023-2018	5,119,983
Total U.S. Department of Transportation			<u>5,139,334</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2017-DJ-BX-0202	12,846
Total Federal Awards			<u><u>\$ 5,468,115</u></u>
STATE FINANCIAL ASSISTANCE			
<u>State of Florida Department of Transportation</u>			
Direct Programs:			
Economic Development Transportation Projects	55.032	437416-1-54-01	\$ 164,750
Direct Programs:			
Small County Outreach Program	55.009	441428-1-54-01	48,439
Direct Programs:			
Aviation Grant Programs	55.004	GOQ87	454,676
Aviation Grant Programs	55.004	GOV34	181,790
Aviation Grant Programs	55.004	GOL67	4,988
Total Aviation Grant Programs			<u>641,454</u>
Total Florida Department of Transportation			<u>854,643</u>
Total State Financial Assistance			<u><u>\$ 854,643</u></u>

The accompanying notes to the schedule of expenditures of federal awards
and state financial assistance are an integral part of this schedule.

CITY OF LAKE CITY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Lake City, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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 Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

No grant awards were passed through to subrecipients.

(3) **De Minimis Indirect Cost Rate Election:**

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

(4) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

**CITY OF LAKE CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X none reported

Auditee qualified as a low-risk auditee? X yes no

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

Identification of major Federal programs:

CFDA Number	Program Name
20.106	Airport Improvement Program

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major State projects:

Unmodified

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550?

_____ yes X none reported

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Identification of major State programs:

<u>CSFA Number</u>	<u>Program Name</u>
55.004	Aviation Grant Programs

B. Financial Statement Findings:

2019-001 Assessment of Information Technology Controls

Criteria: In the current economic and technological environment, information technology controls play a critical role in the operations, security, and integrity of an organization's accounting and financial reporting processes.

Condition: Certain documentation necessary to perform an assessment of the City's information technology controls was not available to be provided or could not be obtained.

Cause: Some of the requested documents for purposes of assessing the City's information technology controls were not available or could not be obtained from the respective outside vendor.

Effect: We were unable to perform a comprehensive assessment over certain aspects of the City's general and application-level controls related to information technology. Certain deficiencies or other issues related to these controls may have not been identified and may not be known by the City.

Recommendation: We recommend the City works with its software vendors and any other outside vendors impacting the information technology environment to obtain all applicable documentation necessary to document the outside controls in place and performing ongoing risk assessments and monitoring processes related to the City's general informational technology controls.

C. Federal Program Findings and Questioned Costs: None.

D. State Project Findings and Questioned Costs: None.

E. Summary Schedule of Prior Audit Findings: See schedule of prior audit findings as listed in the table of contents.

F. Corrective Action Plan: See Auditee's Response to findings as listed in the table of contents.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Lake City, Florida's (the City) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the *Florida Department of Financial Services State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2019. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General. Those standards 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 program and state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2019.

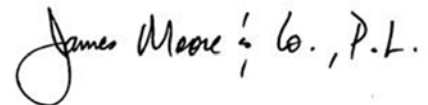
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and Section 215.97, Florida Statutes, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Gainesville, Florida
June 26, 2020

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*

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described as comment 2019-001 in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

Compliance and Other Matters

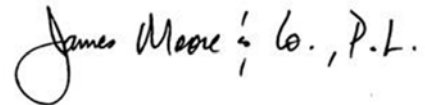
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Lake City, Florida's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
June 26, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Lake City, Florida (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 26, 2020.

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; 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 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Major State Project and Report on Internal Control over Compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No repeat findings exist from the second preceding audit. The following is a summary of prior year recommendations:

2018-001 Prior Period Restatements and Other Audit Adjustments – Corrective action taken.

2018-002 Assessment of Information Technology Controls – Current year finding 2019-001

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 legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

- 88 -

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2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
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Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendation:

2019-002 Account Review, Adjustments, and Timeliness – While there was no impact to fund balance/net position in any affected funds, various balances due to/from other funds as of September 30, 2019, were not followed up on and closed out during the current year. Additionally, subsequent to scheduled audit fieldwork, journal entries were provided related to other audit areas up until just a short time before the audit completion deadline, which can result in an increased risk of error. To ensure the most accurate and relevant financial reporting, we recommend the City ensure all general ledger accounts are reviewed for proper activity on no less than an annual basis and that the year-end closing process includes a specific focus on capital assets to ensure all such accounts are reconciled in a timely manner consistent with other audit areas.

Additional Matters

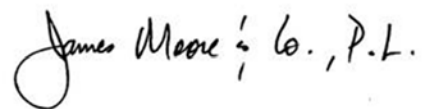
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

City of Lake City, Florida's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Council, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Gainesville, Florida
June 26, 2020

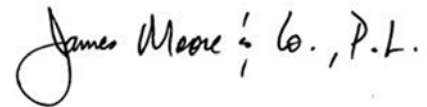
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

We have examined the City of Lake City, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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



Gainesville, Florida
June 26, 2020

AFFADAVIT

BEFORE ME, the undersigned authority, personally appeared Donna Duncan, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of City of Lake City which is a local governmental entity of the State of Florida;
2. The City of Lake City adopted Ordinance No. 93-735, as amended, implementing an impact fee; and
3. The City of Lake City has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Donna Duncan
 Chief Financial Officer of the Entity

STATE OF FLORIDA
 COUNTY OF Columbia

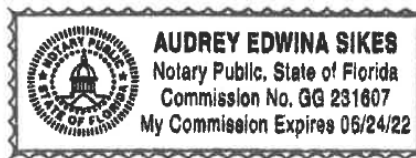
SWORN TO AND SUBSCRIBED before me this 4th day of June, 2020.

Audrey Edwina Sikes
 NOTARY PUBLIC
 Print Name *Audrey Edwina Sikes*

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires:
06/24/2022



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2018-001 Prior Period Restatements and Other Audit Adjustments

Corrective action taken.

2018-002 Assessment of Information Technology Controls

See response to comment 2019-001 for current year status and response.

AUDITEE'S RESPONSE TO:
Independent Auditors' Management Letter
June 26, 2020

2019-001 Assessment of Information Technology Controls

During the fiscal year ended 9/30/19, the City experienced a ransomware attack which took about three months before the systems were up and running properly. The City determined at that time it would be in their best interest to hire outside consultants to devise protocol for additional security measures to thwart any possible future attacks. IT staff provided answers to some of the questions posed by the auditors but did not sufficiently complete the list of items that needed addressing.

For fiscal year 9/30/20, City management will ensure that these questions will be addressed and adequate controls be in place.

2019-002 Account Review, Adjustments and Timeliness

During 2019, not only did the City experience a ransomware attack but two seasoned employees of the Finance Department responsible for major audit areas left the City. The last several months Finance staff has been not only overcoming their learning curve but has also been hindered completing work timely because of the coronavirus pandemic.

Regarding the comment on capital assets, it was decided that the fixed asset system presently used was inadequate not only for Finance but the auditors as well. Therefore, we spoke with the auditors about utilizing new software and converting our data into the new system. The journal entries that were provided at the end were related to fixed assets, which was the last major section of the audit to complete. The new software system was implemented and the entries in question cleaned up all the remaining issues with the fixed assets and therefore, should not be recurring in future years.

While concerns regarding the increased risk of errors are understood, our payable process has adequate review to mitigate any major material misstatements. Further, the fact that no major errors occurred even with all the events that happened during the year would imply that the process is working as designed.

Finance is now beginning to get past their learning curves and are implementing ways to possibly streamline some processes to make completion more timely and accurate.