

CITY OF SEBRING, FLORIDA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020



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**CITY OF SEBRING, FLORIDA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Infrastructure Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the City restated beginning balances to correct accounting errors that occurred in a prior year. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information for pension plans and other postemployment benefit plans, 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 basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Honorable Mayor and City Council
City of Sebring, Florida

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021, on our consideration of the City of Sebring, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2020, the City of Sebring's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$55,636,302 (total net position). Of this amount, \$44,118,221 represents the City's net investment in capital assets, \$3,998,353 is restricted by laws or capital projects and the remaining \$7,519,728 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$567,493 from its current year activity. Governmental activities decreased \$2,584,473 and Business-type activities increased \$2,016,980.
- The City's total assets decreased \$476,446 (0.61%) during the current fiscal year, due to the net effect of decreases in receivables, inventory and capital assets that was offset by an increase in cash and cash equivalents.
- The City's total liabilities increased \$1,488,953 (5.38%) during the current fiscal year. The governmental activities total liabilities increased \$3,205,866. The increase was primarily a result of net pension liability increase of \$3,803,346 and Other Postemployment Benefits increasing \$218,764, based on their respective actuarial valuations. Business-type activities total liabilities decreased \$1,716,913, which was comprised of a \$2,439,260 decrease attributed to debt service payments, that was offset by an increase in net pension liabilities of \$412,506 and Other Postemployment Benefits increase of \$131,174, based on their respective actuarial valuations.
- The City's governmental activities reported a total net position of \$18,361,739, which is a decrease of \$2,400,114, or 11.56%, in comparison to the prior year. Approximately 1.36% of the total, or \$249,216 is unrestricted and available for spending at the City's discretion.
- The City's business-type activities reported a total net position of \$37,274,563 which is an increase of \$2,016,980, or 5.72%, in comparison to the prior year. Approximately 19.51% of the total, or \$7,270,512 is unrestricted and available for spending at the City's discretion.
- As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$11,206,024, a decrease of \$1,586,404 (12.58%) from the prior year. The General Fund reported Fund Balance of \$7,471,243, of which \$5,647 was nonspendable due to prepaid items, \$47,180 was restricted for law enforcement purposes, \$1,054,377 was assigned for cemetery care, and \$1,277,020 was assigned to support the subsequent year's budget. The remaining \$5,087,019 in unassigned fund balance was available for spending at the City's discretion.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

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

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

The government-wide financial statements can be found on pages 15 through 16 of this report.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 17 through 22 of this report.

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

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

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

The basic proprietary fund financial statements can be found on pages 23 through 26 of this report.

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

The basic fiduciary fund financial statements can be found on pages 27 through 28 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 85 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

As noted earlier, net position may serve overtime as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$55,636,302.

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

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

**Statement of Net Position (Summary)
September 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 13,854,012	\$ 15,236,364	\$ 12,564,473	\$ 10,891,321	\$ 26,418,485	\$ 26,127,685
Capital Assets, Net	14,491,973	13,492,760	37,218,304	38,984,763	51,710,277	52,477,523
Total Assets	28,345,985	28,729,124	49,782,777	49,876,084	78,128,762	78,605,208
Deferred Outflows of Resources	5,402,166	4,693,848	1,409,615	1,393,725	6,811,781	6,087,573
Long-Term Liabilities	13,912,964	10,588,208	11,075,359	12,794,166	24,988,323	23,382,374
Current and Other Liabilities	1,383,703	1,502,593	2,782,622	2,780,728	4,166,325	4,283,321
Total Liabilities	15,296,667	12,090,801	13,857,981	15,574,894	29,154,648	27,665,695
Deferred Inflows of Resources	89,745	570,318	59,848	437,332	149,593	1,007,650
Net Position:						
Net Investment in Capital Assets	14,189,298	13,448,928	29,928,923	29,292,546	44,118,221	42,741,474
Restricted	3,923,225	3,564,592	75,128	72,753	3,998,353	3,637,345
Unrestricted	249,216	3,748,333	7,270,512	5,892,284	7,519,728	9,640,617
Total Net Position	\$ 18,361,739	\$ 20,761,853	\$ 37,274,563	\$ 35,257,583	\$ 55,636,302	\$ 56,019,436

By far the largest portion of the City's net position, \$44,118,221 (79.3%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate and pay for these liabilities.

An additional portion of the City's net position in the amount of \$3,998,353 (7.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,519,728 (13.5%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2020, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Current and other assets increased by \$290,800, which was due primarily from an increase in cash and cash equivalents of \$1,277,859, decrease in receivables of \$90,353, decrease in due from other governments of \$220,596, decrease in deposit for equipment of \$556,741, a decrease in inventory of \$162,618, and an increase in restricted cash and cash equivalents of \$83,765.

Overall, total net position decreased \$383,134 and net investment in capital assets increased \$1,376,747, restricted for law enforcement, debt service reserve and infrastructure increased \$361,008 and unrestricted decreased \$2,120,889. Notably, the City added over \$350,000 in infrastructure through the installation of water and sewer lines during the fiscal year.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Statement of Activities

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

**Changes in Net Position (Summary)
Years Ended September 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,301,008	\$ 1,313,682	\$ 12,818,564	\$ 12,593,902	\$ 14,119,572	\$ 13,907,584
Operating Grants and Contributions	186,978	282,544	3	491,784	186,981	774,328
Capital Grants and Contributions	455,585	294,323	335,818	466,909	791,403	761,232
General Revenues:						
Property Taxes	3,158,822	3,041,631	-	-	3,158,822	3,041,631
Other Taxes	3,435,274	3,393,710	-	-	3,435,274	3,393,710
Other	2,140,724	2,318,624	213,697	169,278	2,354,421	2,487,902
Total Revenues	10,678,391	10,644,514	13,368,082	13,721,873	24,046,473	24,366,387
Expenses:						
General Government	1,484,986	1,278,432	-	-	1,484,986	1,278,432
Public Safety	9,365,078	8,538,196	-	-	9,365,078	8,538,196
Physical Environment	128,046	122,681	-	-	128,046	122,681
Transportation	1,844,257	1,505,511	-	-	1,844,257	1,505,511
Economic Environment	338,165	324,197	-	-	338,165	324,197
Culture and Recreation	663,149	665,877	-	-	663,149	665,877
Water	-	-	4,506,667	4,679,794	4,506,667	4,679,794
Wastewater	-	-	3,396,948	3,526,411	3,396,948	3,526,411
Solid Waste	-	-	1,913,002	1,947,231	1,913,002	1,947,231
Golf Course	-	-	973,668	971,905	973,668	971,905
Total Expenses	13,823,681	12,434,894	10,790,285	11,125,341	24,613,966	23,560,235
Change in Net Position Before Transfers	(3,145,290)	(1,790,380)	2,577,797	2,596,532	(567,493)	806,152
Transfers	560,817	677,166	(560,817)	(444,885)	-	232,281
Change in Net Position after Transfers	(2,584,473)	(1,113,214)	2,016,980	2,151,647	(567,493)	1,038,433
Net Position – Beginning	20,761,853	21,875,067	35,257,583	33,105,936	56,019,436	54,981,003
Prior Period Adjustment	184,359	-	-	-	184,359	-
Net Position – Ending	<u>\$ 18,361,739</u>	<u>\$ 20,761,853</u>	<u>\$ 37,274,563</u>	<u>\$ 35,257,583</u>	<u>\$ 55,636,302</u>	<u>\$ 56,019,436</u>

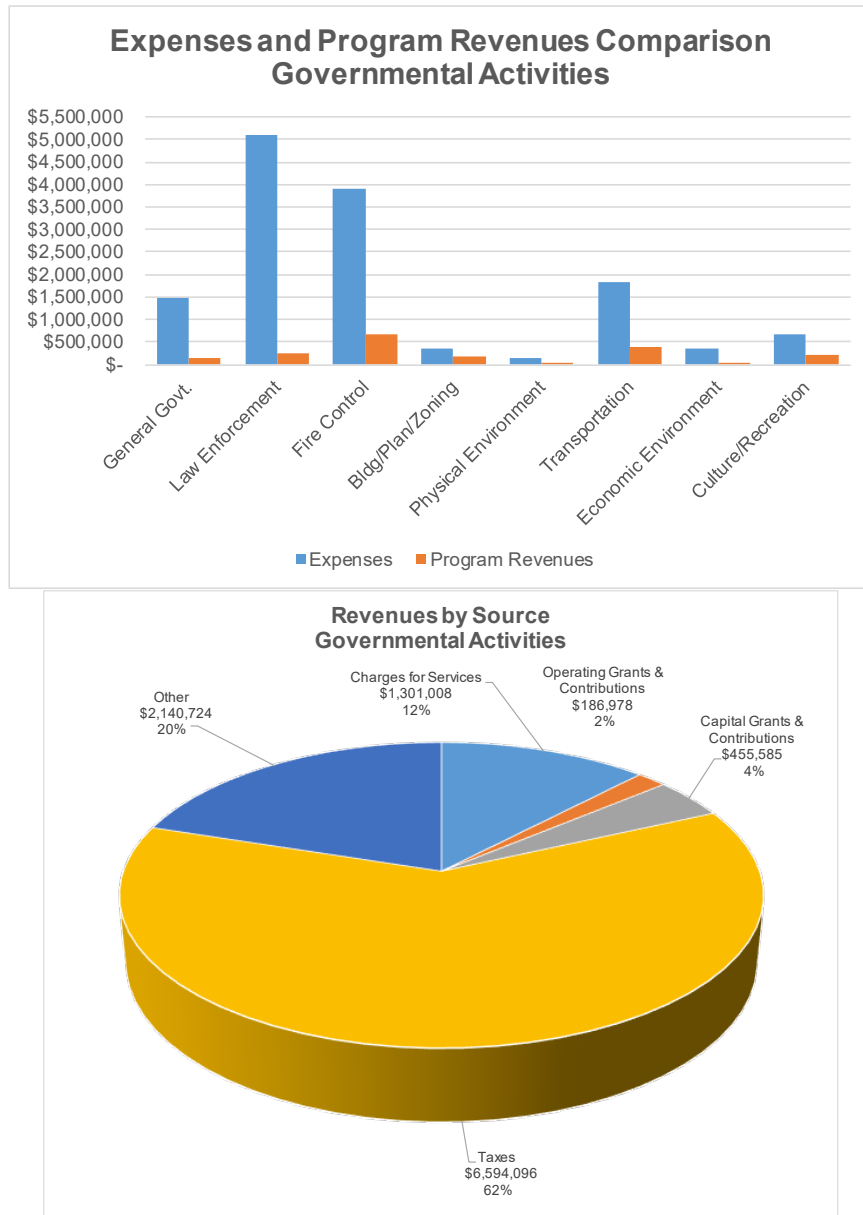
**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Governmental Activities

Total program revenues increased \$53,022 from the prior year for a total of \$1,943,571. The most significant revenue in program services is from charges for services of \$1,301,008, then capital grants and contributions of \$455,585 and operating grants and contributions of \$186,978. Charges for services include \$129,737 in general government and \$1,072,865 in public safety charges. Capital grants and contributions increased \$161,262 to \$455,585 from \$294,323 primarily due to infrastructure projects and contributions from the Community Redevelopment Agency.

Governmental activities expenses increased \$1,388,787 from prior year for a total of \$13,823,681. The most significant governmental activity expense is public safety which includes law enforcement \$5,098,404, fire control \$3,912,723, and building, zoning and planning \$353,951.

Overall, governmental activities decreased the City's net position by \$2,584,473.



**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Business-Type Activities

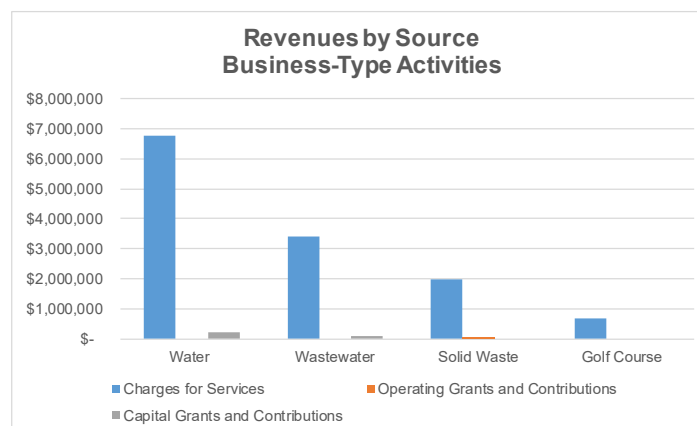
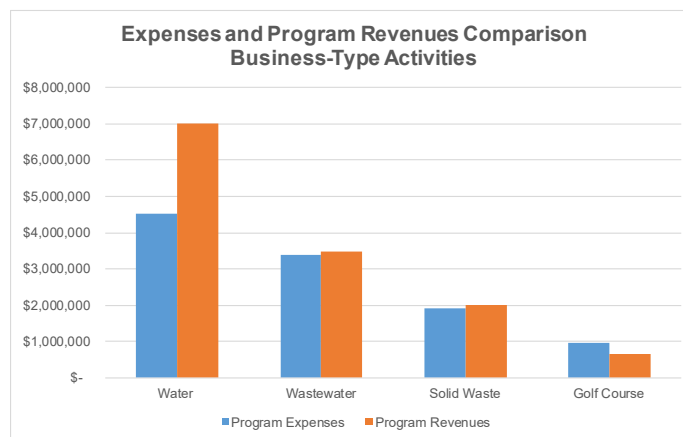
Total program revenues of the City's business-type activities were \$13,154,385, a decrease of \$398,210 or 3% from the prior year. The decrease is primarily due to grants and contributions received due to hurricane damage in the prior year. Total expenses were \$10,790,285, a decrease of \$335,056 or 3% from the prior year.

The Water and Wastewater Fund reflected an operating income of \$2,504,086, which was an increase from the prior year of \$289,671. After including nonoperating revenues and expenses and transfers in/out, the change in net position was \$2,335,753.

The Solid Waste Fund reflected an operating income of \$46,847 which was an increase from the prior year of \$131,267. After including non-operating items, the solid waste operation reflected a total decrease in net position of \$427,739.

The Golf Course Fund reflected an operating loss of \$331,434, which was an increase from the prior year of \$41,428. After including other non-operating items and transfers in, the golf course operation reflected a total decrease in net position of \$59,698.

Overall, business-type activities increased the City's net position by \$2,016,980, which was a decrease of \$134,667 when compared to the prior year. The increase was primarily a net result of an increase in operating income, and a decrease in grants and contributions.



**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$11,206,024, a decrease of \$1,586,404 in comparison with the prior year. Approximately forty-five percent (45%) of this total amount, \$5,082,705, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$6,123,319, is nonspendable, restricted, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At September 30, 2020, the unassigned fund balance of the General Fund was \$5,087,019, while the total fund balance was \$7,471,243. As a measure of the General Fund's liquidity it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 44% of total General Fund expenditures, while total fund balance represents 65% of that same amount.

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

The total enterprise fund's net investment in capital assets increased \$636,377. This increase was primarily from the City's investment in water and sewer line connections, extensions and improvements, and wastewater lift station improvements.

The total enterprise fund's unrestricted net position increased \$1,209,564, and the change in net position increased \$1,848,316.

GENERAL FUND BUDGETARY HIGHLIGHTS

The change between the original and final budgetary appropriations for expenditures amounted to an increase of \$1,198,985. The change was primarily due to appropriating funds for hurricane related damages of \$196,406, a new fire engine \$556,742, and encumbrances rolled forward from the prior year of \$315,951.

Revenue budget to actual in the General Fund resulted in a \$412,588 positive variance, primarily due to a conservative approach for budgeting tax revenues.

Budget to actual expenditures show a \$683,500 positive variance (actual less than budget). This decrease was uniform through all departments, and reflects the continuation of a cost containment effort throughout the City.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to \$51,710,277 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment, water system and sewer system.

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

- Waterline Extensions
- Sewer Line Improvements and Extensions
- Vehicles - Police, Public Works, and Utilities
- Fire Engine and Equipment
- Playground Equipment
- Garbage truck
- Paving, Curbing and Storm-water Projects
- Lift Station Improvements
- Manhole restoration
- Software Implementation

**City of Sebring's Capital Assets
(Net of Depreciation)
September 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,842,082	\$ 1,639,331	\$ 577,877	\$ 577,877	\$ 2,419,959	\$ 2,217,208
Buildings	2,765,436	2,528,714	1,199,705	958,770	3,965,141	3,487,484
Improvements Other than Building	694,327	1,910,885	-	-	694,327	1,910,885
Infrastructure	6,922,396	5,973,536	-	-	6,922,396	5,973,536
Equipment	1,767,860	1,266,824	2,590,623	2,686,187	4,358,483	3,953,011
Golf Course Improvements	-	-	331,036	344,013	331,036	344,013
Water System	-	-	19,227,187	19,249,452	19,227,187	19,249,452
Wastewater System	-	-	13,035,395	14,266,074	13,035,395	14,266,074
Construction in Progress	499,872	173,470	256,481	902,390	756,353	1,075,860
Total Capital Assets	<u>\$ 14,491,973</u>	<u>\$ 13,492,760</u>	<u>\$ 37,218,304</u>	<u>\$ 38,984,763</u>	<u>\$ 51,710,277</u>	<u>\$ 52,477,523</u>

Additional information on the City's capital assets and construction commitments can be found in Note 6 of the Notes to Financial Statements in this report.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Long-Term Liabilities: At the end of the current fiscal year, the City had total long-term liabilities of \$24,988,323, which represents an increase of \$1,605,949 compared to the prior year. This increase is primarily due to City principal debt service payments on loans payable, a capital lease obligation, and a refunding note payable of \$2,373,234 and is offset by an increase of \$3,497,068 in the City's net pension liabilities to pension plans.

**City of Sebring's Long-Term Liabilities
Years Ended September 30, 2020 and 2019**

	Business-Type Activities	
	2020	2019
Direct Borrowings	\$ 816,180	\$ 944,163
Capital Lease Obligations	116,512	342,878
Direct Placements	6,337,445	8,356,330
Total	<u>\$ 7,270,137</u>	<u>\$ 9,643,371</u>

Additional information on the City's long-term debt can be found in Note 9 of the Notes to the Financial Statements in this report.

Next Year's Budgets

In the 2021 fiscal year, the City has budgeted two transfers in for the General Fund one of \$250,000 from the Solid Waste Fund and the other is \$1,050,000 from the Water and Wastewater Fund. These transfers allow the City's General Fund to share in the profits of its Solid Waste Fund and Water and Wastewater Fund. In addition, the City's General Fund has budgeted a transfer out of \$180,124 to the Golf Course Fund for the purpose of providing needed working capital for operations that are not covered by budgeted revenues.

Requests for Information

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

CITY OF SEBRING, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 12,994,771	\$ 8,823,256	\$ 21,818,027	\$ 1,404,256
Receivables, Net	425,104	690,178	1,115,282	495
Internal Balances	(147,315)	147,315	-	-
Due from Other Governments	575,805	11,357	587,162	-
Inventory	-	328,499	328,499	-
Prepaid Items	5,647	70	5,717	-
Assets Available for Sale	-	-	-	326,084
Intangible Asset	-	353,658	353,658	-
Restricted Asset - Cash and Cash Equivalents	-	2,210,140	2,210,140	-
Capital Assets:				
Nondepreciable	2,341,954	834,358	3,176,312	-
Depreciable, Net	12,150,019	36,383,946	48,533,965	-
Total Assets	28,345,985	49,782,777	78,128,762	1,730,835
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	5,162,891	1,140,287	6,303,178	-
Deferred Outflows Related to OPEB	239,275	151,161	390,436	-
Deferred Amount on Refunding	-	118,167	118,167	-
Total Deferred Outflows of Resources	5,402,166	1,409,615	6,811,781	-
LIABILITIES				
Accounts Payable	941,915	511,550	1,453,465	35,716
Accrued Expenses	241,276	27,045	268,321	1,775
Due to Other Governments	-	-	-	4,526
Unearned Revenues	200,512	68,430	268,942	-
Current Liabilities Payable from Restricted Assets:				
Accrued Interest Payable	-	38,591	38,591	-
Customer Deposits	-	2,137,006	2,137,006	-
Noncurrent Liabilities:				
Net Pension Liability	12,658,956	2,905,052	15,564,008	-
Other Postemployment Benefits	937,548	307,947	1,245,495	-
Due Within One Year	316,460	2,440,782	2,757,242	11,552
Due in More Than One Year	-	5,421,578	5,421,578	-
Total Liabilities	15,296,667	13,857,981	29,154,648	53,569
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	89,745	59,848	149,593	-
NET POSITION				
Net Investment in Capital Assets	14,189,298	29,928,923	44,118,221	-
Restricted for:				
Law Enforcement	47,810	-	47,810	-
Debt Service Reserve	-	75,128	75,128	-
Infrastructure	3,875,415	-	3,875,415	-
Community Redevelopment	-	-	-	1,677,266
Unrestricted	249,216	7,270,512	7,519,728	-
Total Net Position	\$ 18,361,739	\$ 37,274,563	\$ 55,636,302	\$ 1,677,266

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

					Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Program Revenues				Primary Government			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency	
Governmental Activities									
General Government	\$ 1,484,986	\$ 129,737	\$ 32,018	\$ -	\$ (1,323,231)	\$ -	\$ (1,323,231)	\$ -	
Public Safety:									
Law Enforcement	5,098,404	239,304	4,697	7,795	(4,846,608)	-	(4,846,608)	-	
Fire Control	3,912,723	643,947	23,496	-	(3,245,280)	-	(3,245,280)	-	
Building, Zoning, and Planning	353,951	189,614	-	-	(164,337)	-	(164,337)	-	
Physical Environment	128,046	37,946	-	-	(90,100)	-	(90,100)	-	
Transportation	1,844,257	49,560	16,267	339,229	(1,439,201)	-	(1,439,201)	-	
Economic Environment	338,165	-	-	10,014	(328,151)	-	(328,151)	-	
Culture/Recreation	663,149	10,900	110,500	98,547	(443,202)	-	(443,202)	-	
Total Governmental Activities	13,823,681	1,301,008	186,978	455,585	(11,880,110)	-	(11,880,110)	-	
Business-Type Activities									
Water	4,506,667	6,780,883	-	233,687	-	2,507,903	2,507,903	-	
Wastewater	3,396,948	3,386,360	-	102,131	-	91,543	91,543	-	
Solid Waste	1,913,002	1,993,527	3	-	-	80,528	80,528	-	
Golf Course	973,668	657,794	-	-	-	(315,874)	(315,874)	-	
Total Business-Type Activities	10,790,285	12,818,564	3	335,818	-	2,364,100	2,364,100	-	
Total Primary Government	<u>\$ 24,613,966</u>	<u>\$ 14,119,572</u>	<u>\$ 186,981</u>	<u>\$ 791,403</u>	(11,880,110)	2,364,100	(9,516,010)	-	
Component Unit									
Community Redevelopment Agency	<u>\$ 789,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				(789,181)	
General Revenues									
Taxes:									
Ad-valorem taxes					3,158,822	-	3,158,822	-	
Tax Increment from City/County					-	-	-	775,657	
Fuel Taxes					408,049	-	408,049	-	
Infrastructure Surtax					1,170,852	-	1,170,852	-	
Utility and Communication Services					1,806,663	-	1,806,663	-	
Other Taxes					49,710	-	49,710	-	
Franchise Fees					961,715	-	961,715	-	
Intergovernmental - Unrestricted					1,004,372	-	1,004,372	-	
Investment Earnings					159,846	83,362	243,208	19,577	
Miscellaneous					1,891	37,535	39,426	1,000	
Gain on Sale of Capital Assets					12,900	92,800	105,700	-	
Total General Revenues					8,734,820	213,697	8,948,517	796,234	
Transfers					560,817	(560,817)	-	-	
Change in Net Position					(2,584,473)	2,016,980	(567,493)	7,053	
Net Position - Beginning, as Previously Reported					20,761,853	35,257,583	56,019,436	1,670,213	
Prior Period Adjustment (See Note 17)					184,359	-	184,359	-	
Net Position - Beginning, as Restated					20,946,212	35,257,583	56,203,795	1,670,213	
Net Position - Ending					<u>\$ 18,361,739</u>	<u>\$ 37,274,563</u>	<u>\$ 55,636,302</u>	<u>\$ 1,677,266</u>	

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General Fund	Infrastructure Fund	Nonmajor (CDBG)	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 7,884,936	\$ 3,686,085	\$ -	\$ 11,571,021
Receivables, Net	230,968	-	-	230,968
Due from Other Funds	4,314	-	-	4,314
Due from Other Governments	361,636	205,329	4,314	571,279
Prepaid Items	5,647	-	-	5,647
Total Assets	<u>\$ 8,487,501</u>	<u>\$ 3,891,414</u>	<u>\$ 4,314</u>	<u>\$ 12,383,229</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 591,753	\$ 152,319	\$ -	\$ 744,072
Accrued Expenditures	58,359	-	-	58,359
Due to Other Funds	160,156	-	4,314	164,470
Unearned Revenues	194,141	-	-	194,141
Total Liabilities	<u>1,004,409</u>	<u>152,319</u>	<u>4,314</u>	<u>1,161,042</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	11,849	-	4,314	16,163
FUND BALANCES (DEFICIT)				
Nonspendable:				
Prepaid Items	5,647	-	-	5,647
Restricted:				
Law Enforcement	47,180	-	-	47,180
Infrastructure	-	3,739,095	-	3,739,095
Assigned:				
Cemetery Care	1,054,377	-	-	1,054,377
Subsequent Years Budget	1,277,020	-	-	1,277,020
Unassigned	5,087,019	-	(4,314)	5,082,705
Total Fund Balances (Deficit)	<u>7,471,243</u>	<u>3,739,095</u>	<u>(4,314)</u>	<u>11,206,024</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 8,487,501</u>	<u>\$ 3,891,414</u>	<u>\$ 4,314</u>	<u>\$ 12,383,229</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balance – Governmental Funds	\$ 11,206,024
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Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and therefore are not reported in the funds:

Deferred Outflows Related to Pensions	5,162,891
Deferred Outflows Related to OPEB	239,275
Deferred Inflows Related to Pensions	(89,745)

The assets and liabilities of the internal service funds, used by management to charge the costs of certain activities to individual funds, are included in governmental activities in the statement of net position.

1,248,122

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

Capital Assets, Nondepreciable	2,341,954
Capital Assets, Depreciable - Net	12,150,019

Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.

16,163

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Net Pension Liability	(12,658,956)
Total OPEB Liability	(937,548)
Compensated Absences	(316,460)

Net Position of Governmental Activities	\$ 18,361,739
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CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Infrastructure Fund	Nonmajor (CDBG)	Total Governmental Funds
REVENUES				
Taxes	\$ 5,419,327	\$ 1,170,852	\$ -	\$ 6,590,179
Permits, Fees, and Special Assessments	1,763,554	-	-	1,763,554
Intergovernmental	1,432,758	-	5,700	1,438,458
Charges for Services	269,214	-	-	269,214
Fines and Forfeitures	103,220	-	-	103,220
Investment Earnings	105,796	40,672	-	146,468
Miscellaneous	46,961	-	-	46,961
Total Revenues	9,140,830	1,211,524	5,700	10,358,054
EXPENDITURES				
Current:				
General Government	1,049,724	-	-	1,049,724
Public Safety				
Law Enforcement	4,037,042	-	-	4,037,042
Fire Control	3,058,477	-	-	3,058,477
Building, Zoning, and Planning	313,033	-	-	313,033
Physical Environment	34,229	-	-	34,229
Transportation	1,065,699	313,956	-	1,379,655
Economic Environment	297,458	-	10,014	307,472
Culture and Recreation	526,197	3,850	-	530,047
Capital Outlay	1,090,872	717,624	-	1,808,496
Total Expenditures	11,472,731	1,035,430	10,014	12,518,175
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,331,901)	176,094	(4,314)	(2,160,121)
OTHER FINANCING SOURCES (USES)				
Sale of City Property	12,900	-	-	12,900
Transfers In	751,402	-	-	751,402
Transfers Out	(163,330)	(27,255)	-	(190,585)
Total Other Financing Sources (Uses)	600,972	(27,255)	-	573,717
CHANGE IN FUND BALANCES (DEFICIT)	(1,730,929)	148,839	(4,314)	(1,586,404)
Fund Balance – Beginning of Year, as Previously Reported	9,088,586	3,519,483	-	12,608,069
Prior Period Adjustment (See Note 17)	113,586	70,773	-	184,359
Fund Balance – Beginning of Year, as Restated	9,202,172	3,590,256	-	12,792,428
FUND BALANCES (DEFICIT) – END OF YEAR	<u>\$ 7,471,243</u>	<u>\$ 3,739,095</u>	<u>\$ (4,314)</u>	<u>\$ 11,206,024</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balance – Governmental Funds \$ (1,586,404)

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

Revenues that will not be collected within sixty days after the City's fiscal year-end are
not considered "available" revenues, and are not recognized in the governmental funds:

Deferred Inflows Recognized in Prior Years in the Statement of Activities	(33,487)
Deferred Inflows Recognized in the Current Year in the Statement of Activities	16,163

Internal service funds are used by management to charge the costs of insurance to individual funds. The net cost of certain activities of internal service funds is reported with governmental activities.	155,907
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Capital assets donated into governmental activities do not provide a current financial
resource and are not recognized as revenue in the governmental funds. However, these
amounts are reported as a revenue on the statement of activities:

Capital Asset Improvements Paid by Component Unit	311,383
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Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets that were Capitalized	1,808,496
Depreciation Expense	(1,121,538)

Changes in net pension liability and the related deferred inflows and deferred outflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(2,094,622)
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Changes in the OPEB liability and the related deferred inflows and deferred outflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(19,814)
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Certain expenses reported in the statement of activities do not require the use
of current financial resources. Therefore, the following expenditures are not
recognized in governmental funds.

Net Decrease in Compensated Absences	(21,429)
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Change in Net Position of Governmental Activities	\$ (2,584,473)
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See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 5,240,401	\$ 5,240,401	\$ 5,419,327	\$ 178,926
Permits, Fees, and Special Assessments	1,713,637	1,713,637	1,763,554	49,917
Intergovernmental	1,204,680	1,213,018	1,432,758	219,740
Charges for Services	255,116	255,116	269,214	14,098
Fines and Forfeitures	108,500	108,500	103,220	(5,280)
Investment Earnings	167,000	167,000	105,796	(61,204)
Miscellaneous	15,920	30,570	46,961	16,391
Total Revenues	8,705,254	8,728,242	9,140,830	412,588
EXPENDITURES				
Current:				
General Government	1,017,158	1,081,520	1,049,724	31,796
Public Safety				
Law Enforcement	4,146,471	4,165,601	4,037,042	128,559
Fire Control	3,032,826	3,092,309	3,058,477	33,832
Building, Zoning, and Planning	329,490	341,396	313,033	28,363
Physical Environment	33,646	38,909	34,229	4,680
Transportation	1,122,493	1,100,767	1,065,699	35,068
Economic Environment	297,458	297,458	297,458	-
Culture and Recreation	584,246	657,554	526,197	131,357
Capital Outlay	393,458	1,380,717	1,090,872	289,845
Total Expenditures	10,957,246	12,156,231	11,472,731	683,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,251,992)	(3,427,989)	(2,331,901)	1,096,088
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	41,635	-	(41,635)
Sale of City Property	-	-	12,900	12,900
Transfers In	750,000	750,000	751,402	1,402
Transfer Out	(236,703)	(147,804)	(163,330)	(15,526)
Total Other Financing Sources (Uses)	513,297	643,831	600,972	(42,859)
CHANGE IN FUND BALANCE	(1,738,695)	(2,784,158)	(1,730,929)	1,053,229
Fund Balance – Beginning, as Previously Reported	9,088,586	9,088,586	9,088,586	-
Prior Period Adjustment (See Note 17)	-	-	113,586	113,586
Fund Balance – Beginning, as Restated	9,088,586	9,088,586	9,202,172	113,586
FUND BALANCE – END OF YEAR	<u>\$ 7,349,891</u>	<u>\$ 6,304,428</u>	<u>\$ 7,471,243</u>	<u>\$ 1,166,815</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – INFRASTRUCTURE FUND
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 1,150,000	\$ 1,150,000	\$ 1,170,852	\$ 20,852
Investment Earnings	50,000	50,000	40,672	(9,328)
Total Revenues	1,200,000	1,200,000	1,211,524	11,524
EXPENDITURES				
Current:				
Transportation	345,000	284,414	313,956	(29,542)
Culture and Recreation	-	-	3,850	(3,850)
Capital Outlay	1,143,366	1,875,007	717,624	1,157,383
Total Expenditures	1,488,366	2,159,421	1,035,430	1,123,991
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(288,366)	(959,421)	176,094	1,135,515
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	169,830	-	(169,830)
Transfer Out	-	-	(27,255)	(27,255)
Total Other Financing Sources (Uses)	-	169,830	(27,255)	(197,085)
CHANGE IN FUND BALANCE	(288,366)	(789,591)	148,839	938,430
Fund Balance – Beginning, as Previously Reported	3,519,483	3,519,483	3,519,483	-
Prior Period Adjustment (See Note 17)	-	-	70,773	70,773
Fund Balance – Beginning, as Restated	3,519,483	3,519,483	3,590,256	70,773
FUND BALANCE – ENDING	<u>\$ 3,231,117</u>	<u>\$ 2,729,892</u>	<u>\$ 3,739,095</u>	<u>\$ 1,009,203</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)	Total	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 6,689,956	\$ 1,612,303	\$ 520,997	\$ 8,823,256	\$ 1,423,750
Receivables, Net	631,952	58,226	-	690,178	194,136
Due from Other Funds	-	-	-	-	253,473
Due from Other Governments	11,073	30	254	11,357	4,526
Inventory	322,436	-	6,063	328,499	-
Prepaid Items	70	-	-	70	-
Intangible Asset	353,658	-	-	353,658	-
Total Current Assets	8,009,145	1,670,559	527,314	10,207,018	1,875,885
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	2,210,140	-	-	2,210,140	-
Capital Assets, Net	35,270,025	907,083	1,041,196	37,218,304	-
Total Noncurrent Assets	37,480,165	907,083	1,041,196	39,428,444	-
Total Assets	45,489,310	2,577,642	1,568,510	49,635,462	1,875,885
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	783,527	203,555	153,205	1,140,287	-
Deferred Outflows Related to OPEB	102,648	27,495	21,018	151,161	-
Deferred Cost on Refunding	118,167	-	-	118,167	-
Total Deferred Outflows of Resources	1,004,342	231,050	174,223	1,409,615	-
LIABILITIES					
Current Liabilities:					
Accounts Payable	352,551	133,391	25,608	511,550	197,843
Accrued Expenses	18,295	4,898	3,852	27,045	182,917
Unearned Revenue	18,172	2,655	47,603	68,430	6,371
Due to Other Funds	63,368	16,974	12,975	93,317	-
Compensated Absences Payable	88,130	17,724	18,869	124,723	-
Current Portion of Long-Term Debt	2,316,059	-	-	2,316,059	-
Current Liabilities Payable from Restricted Assets:					
Accrued Interest	38,591	-	-	38,591	-
Customer Deposits	2,137,006	-	-	2,137,006	-
Total Current Liabilities	5,032,172	175,642	108,907	5,316,721	387,131
Noncurrent Liabilities:					
Net Pension Liability	2,002,241	518,077	384,734	2,905,052	-
Other Postemployment Benefits	210,523	55,266	42,158	307,947	-
Landfill Closure	-	467,500	-	467,500	-
Long-Term Debt	4,954,078	-	-	4,954,078	-
Total Noncurrent Liabilities	7,166,842	1,040,843	426,892	8,634,577	-
Total Liabilities	12,199,014	1,216,485	535,799	13,951,298	387,131
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	40,727	9,970	9,151	59,848	-
NET POSITION					
Net Investment in Capital Assets	28,049,385	839,523	1,040,015	29,928,923	-
Restricted for Debt Service (Expendable)	75,128	-	-	75,128	-
Unrestricted	6,129,398	742,714	157,768	7,029,880	1,488,754
Total Net Position	<u>\$ 34,253,911</u>	<u>\$ 1,582,237</u>	<u>\$ 1,197,783</u>	37,033,931	<u>\$ 1,488,754</u>

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

240,632

Net Position of Business-Type Activities

\$ 37,274,563

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)	Total	
OPERATING REVENUES					
Charges for Services	\$ 9,840,350	\$ 1,977,611	\$ 577,545	\$ 12,395,506	\$ 3,120,165
Miscellaneous Revenue	364,428	15,916	80,249	460,593	-
Total Operating Revenues	10,204,778	1,993,527	657,794	12,856,099	3,120,165
OPERATING EXPENSES					
Employee Compensation and Benefits	2,265,853	591,946	499,376	3,357,175	-
General and Administrative	475,600	159,100	135,251	769,951	75,506
Professional	108,044	5,298	9,086	122,428	-
Landfill Fees	-	556,026	-	556,026	-
Insurance	288,718	48,173	26,214	363,105	1,165,970
Repairs, Maintenance, and Supplies	1,433,991	297,492	195,439	1,926,922	-
Claims Expense	-	-	-	-	1,896,553
Utilities	551,809	3,441	33,688	588,938	-
Depreciation	2,576,677	285,204	90,174	2,952,055	-
Total Operating Expenses	7,700,692	1,946,680	989,228	10,636,600	3,138,029
OPERATING INCOME (LOSS)	2,504,086	46,847	(331,434)	2,219,499	(17,864)
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	52,672	25,411	5,279	83,362	13,378
Connection Fees	335,818	-	-	335,818	-
Grant Revenue - FEMA	-	3	-	3	-
Gain (Loss) on Disposal of Assets	(18,483)	-	92,800	74,317	-
Insurance Proceeds	-	-	-	-	329,057
Interest Expense	(262,024)	-	-	(262,024)	-
Amortization Expense	(41,842)	-	-	(41,842)	-
Total Nonoperating Revenues (Expenses)	66,141	25,414	98,079	189,634	342,435
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,570,227	72,261	(233,355)	2,409,133	324,571
TRANSFERS					
Transfers In	15,526	-	173,657	189,183	-
Transfers Out	(250,000)	(500,000)	-	(750,000)	-
Total Transfers	(234,474)	(500,000)	173,657	(560,817)	-
CHANGE IN NET POSITION	2,335,753	(427,739)	(59,698)	1,848,316	324,571
Total Net Position - Beginning of Year	31,918,158	2,009,976	1,257,481	35,185,615	1,164,183
TOTAL NET POSITION - END OF YEAR	<u>\$ 34,253,911</u>	<u>\$ 1,582,237</u>	<u>\$ 1,197,783</u>	<u>\$ 37,033,931</u>	<u>\$ 1,488,754</u>
CHANGE IN NET POSITION - ENTERPRISE FUNDS				\$ 1,848,316	
Some amounts reported for business-type activities in the statement of activities are different because of unallocated overcharges by the Internal Service Funds.				168,664	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				<u>\$ 2,016,980</u>	

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers and Users	\$ 10,199,949	\$ 1,981,864	\$ 663,532	\$ 12,845,345	\$ 2,651,227
Cash Received from Insurance	-	-	-	-	376,670
Cash Payments to Suppliers and Claims	(2,713,969)	(980,695)	(416,999)	(4,111,663)	(3,282,168)
Cash Payments for Employee Services	(2,200,537)	(557,873)	(472,676)	(3,231,086)	-
Net Cash Provided (Used) by Operating Activities	5,285,443	443,296	(226,143)	5,502,596	(254,271)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Received from Operating Grants	403,586	5,259	10,241	419,086	-
Transfer to Other Funds	(250,000)	(500,000)	-	(750,000)	-
Transfer from Other Funds	-	-	173,657	173,657	-
Net Cash Provided (Used) by Noncapital Financing Activities	153,586	(494,741)	183,898	(157,257)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(862,934)	(180,936)	(33,258)	(1,077,128)	-
Proceeds from Sale of Capital Asset	599	-	92,800	93,399	-
Principal Paid on Long-Term Debt	(2,373,234)	-	-	(2,373,234)	-
Cash Received from Insurance	-	-	-	-	329,057
Interest Paid	(192,039)	-	-	(192,039)	-
Transfer from Other Funds for Capital Assets	(23,462)	-	-	(23,462)	-
Connection Fees and Capital Contributions	268,616	-	-	268,616	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,182,454)	(180,936)	59,542	(3,303,848)	329,057
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	52,672	25,411	5,279	83,362	13,378
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,309,247	(206,970)	22,576	2,124,853	88,164
Cash and Cash Equivalents – Beginning of Year	6,590,849	1,819,273	498,421	8,908,543	1,335,586
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 8,900,096</u>	<u>\$ 1,612,303</u>	<u>\$ 520,997</u>	<u>\$ 11,033,396</u>	<u>\$ 1,423,750</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Cash and Cash Equivalents	\$ 6,689,956	\$ 1,612,303	\$ 520,997	\$ 8,823,256	\$ 1,423,750
Restricted Assets - Cash and Cash Equivalents	2,210,140	-	-	2,210,140	-
Cash and Cash Equivalents - End of Year	<u>\$ 8,900,096</u>	<u>\$ 1,612,303</u>	<u>\$ 520,997</u>	<u>\$ 11,033,396</u>	<u>\$ 1,423,750</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)	Total	
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED (USED) BY					
OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 2,504,086	\$ 46,847	\$ (331,434)	\$ 2,219,499	\$ (17,864)
Adjustments to Reconcile Operating Income (Loss)					
to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	2,576,677	285,204	90,174	2,952,055	-
(Increase) Decrease in Assets:					
Accounts Receivable	(83,489)	(11,636)	-	(95,125)	166,385
Inventory	159,527	-	3,091	162,618	-
Prepaid Items	(70)	-	-	(70)	-
Due from Other Funds	-	-	-	-	(253,473)
Due from Other Government	(1,099)	(27)	-	(1,126)	(4,526)
Deferred Outflows Related to Pensions	14,688	5,615	5,995	26,298	-
Deferred Outflows Related to OPEB	(86,387)	(23,139)	(17,689)	(127,215)	-
Increase (Decrease) in Liabilities:					
Accounts Payable	(21,264)	1,335	(4,229)	(24,158)	(172,481)
Accrued Expenses	(45,867)	(9,887)	(13,092)	(68,846)	28,342
Due to Other Funds	63,368	16,974	12,975	93,317	-
Unearned Revenue	-	-	2,647	2,647	(654)
Compensated Absences	16,818	4,593	1,836	23,247	-
Customer Deposits	85,759	-	-	85,759	-
OPEB Liability	89,074	23,860	18,240	131,174	-
Net Pension Liability	289,631	72,169	50,706	412,506	-
Landfill Closure	-	87,500	-	87,500	-
Deferred Inflows Related to Pensions	(276,009)	(56,112)	(45,363)	(377,484)	-
Net Cash Provided (Used) by Operating Activities	\$ 5,285,443	\$ 443,296	\$ (226,143)	\$ 5,502,596	\$ (254,271)
SUPPLEMENTAL DISCLOSURE OF					
NONCASH FINANCING ACTIVITIES					
Capital Additions Funded by Accounts Payable	\$ 68,667	\$ 67,560	\$ 1,181	\$ 137,408	\$ -

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 629,841
Receivables:	
Interest and Dividends	66,041
Partnership Distribution	7,244
Other	<u>832</u>
Total Receivables	74,117
Investments, at Fair Value:	
U.S. Government Obligations	1,577,636
U.S. Federal Agency Obligations	509,991
Mortgage Backed Securities	2,869,704
Municipal Obligations	24,639
Corporate Bonds	6,161,886
Common Stock	8,774,100
Mutual Funds - Equities	11,407,803
Real Estate Partnership	<u>2,049,048</u>
Total Investments	<u>33,374,807</u>
 Total Assets	 34,078,765
LIABILITIES	
Accounts Payable	<u>36,577</u>
Total Liabilities	<u>36,577</u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u><u>\$ 34,042,188</u></u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
City	\$ 1,351,945
Plan Members	69,262
Total Contributions	<u>1,421,207</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	2,308,531
Interest and Dividends	684,019
Other	81,883
Total Investment Income	<u>3,074,433</u>
Less Investment Expenses	<u>(138,989)</u>
Net Investment Income	<u>2,935,444</u>
Total Additions	4,356,651
DEDUCTIONS	
Payments to Retirees and Participants	1,567,762
Administration Expenses	86,076
Total Deductions	<u>1,653,838</u>
NET INCREASE IN NET POSITION	2,702,813
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of Year	<u>31,339,375</u>
End of Year	<u><u>\$ 34,042,188</u></u>

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The City, a municipality of the state of Florida, is located in Highlands County, and was established by a special act of the state of Florida in 1925, Chapter 11158. The City is governed by both its charter, being the Laws of Florida 1929, Chapter 14311, as from time to time specifically amended by subsequent special acts and ordinances and other Florida Statutes that are applicable to municipalities. The 1929 Act was approved by a referendum held June 11, 1929. The City is approximately 16 square miles in area. The City provides public safety, public works, recreation, and general governmental services to approximately 11,200 residents. The City also provides water, wastewater and sanitation services to its residents for a user charge. Additionally, the City operates and maintains a cemetery and a municipal golf course. The City Council is comprised of the Mayor and five City Council members.

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

Discretely Presented Component Unit

The Community Redevelopment Agency (the CRA) was created by City Ordinance Number 654 pursuant to Part III of chapter 163, Florida Statutes. The CRA is legally separate and is responsible for the redevelopment of defined areas within the city limits. The CRA is governed by a seven member board, which is appointed by the City Council. The City and County are obligated to pay the CRA any tax revenues relating to an increase in the assessed value of property within the redevelopment areas. During the current year, the City paid the CRA \$297,457, which represents its portion of the incremental increase in ad valorem taxes. The CRA is presented in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Separate financial statements for the CRA may be obtained by writing to the City of Sebring Community Redevelopment Agency, 309 Circle Park Drive, Sebring, Florida 33870.

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Related Organizations

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

C. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statement Presentation

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

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

Governmental Major Funds

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

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

Governmental Nonmajor Fund

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statement Presentation (Continued)

Proprietary Major Funds

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

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

Proprietary Nonmajor Fund

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

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

Fiduciary Funds

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

E. Budgetary Information

An annual budget was prepared for the General Fund and Infrastructure Fund on a basis consistent with the modified accrual basis of accounting.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund shown in the basic financial statements, present comparisons of the legally adopted budget, as amended, with actual results for the General Fund. The originally adopted budget is presented for purposes of comparison to the final, amended budget. The City Council amended the budget of the General Fund by resolution. These amendments provided for additional budgetary appropriations in the amount of \$1,110,086. Of this amount, \$1,045,463 was financed by fund balance reserves, with the remaining \$64,623 financed by additional budgeted revenues.

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

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

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

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

F. Cash and Cash Equivalents

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

G. Investments

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

H. Receivables

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

I. Inventories

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

J. Prepaid Items

Prepaid items are recorded using the consumption method of accounting. Under the consumption method, services paid for in advance are reported as an asset until the period in which the services are actually consumed.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Intangible Assets

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

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

The total unamortized balance for these two intangible assets at September 30, 2020, is \$353,658 and is comprised of \$352,474 from the Sebring Utilities Commission purchase and \$1,184 from the Heartland Utilities, Inc. water asset purchase.

L. Capital Assets

Capital assets include land, buildings, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, and similar subsystems), and are carried at historical cost. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Contributed assets are recorded at acquisition value as of the date received. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/ Deferred Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items that qualify for reporting in this category including the deferred charge on refunding, differences between expected and actual experience, changes in actuarial assumptions, and projected versus actual earnings on pension plan investments, and changes in actuarial assumptions related to the OPEB valuation. 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. The other amounts will be recognized as increases in pension expense and OPEB expense in future years.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has multiple pension and OPEB related items that qualify for reporting in this category including changes in assumptions, projected versus actual earnings on pension plan investments, and differences between expected and actual experience.

The City also has items which arise only under a modified accrual basis of accounting that qualify for reporting as deferred inflows of resources in the governmental funds balance sheet. The governmental funds report unavailable revenues for revenue collected after the period of availability. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available. In the governmental funds, a deferred inflow of resources is reported for unavailable revenues that were not received within sixty days of year end.

N. Unearned Revenues

Unearned revenue arises only when the City receives resources before it has a legal claim to them. The unearned revenue will be recognized as revenues in the fiscal year in which they are earned.

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Interfund Transactions and Loans

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

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

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

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

P. Compensated Absences

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

Q. Pension Plans

Single Employer: For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Police Officers' Retirement Trust Fund (PORTF) and Municipal Firefighters' Pension Plan (MFPP) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Pension Plans (Continued)

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

R. Long-Term Obligations

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

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

S. Fund Balance Policy

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

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Property Taxes

Ad valorem taxes for the current fiscal year (beginning October 1, 2019) are assessed on July 1, 2019, based on property values as of January 1, 2019. The taxes are levied in the month of November 2019, by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due and payable November 1, 2019, and become delinquent April 1, 2020. Tax certificates are sold for delinquent taxes by June 1, 2020. Generally, the City collects substantially all of its current year property taxes during the year in which they are due. No accrual for the property tax levy becoming due in November 2020 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the next fiscal year.

U. Government -Wide and Proprietary Fund Net Position

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

Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.

Restricted net position – consists of amounts constrained to specific purposes by their providers (such as granters, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.

Unrestricted – all other net position is reported in this category.

V. Government Fund Balances

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

Nonspendable fund balance – amounts that are not in spendable form (such as prepaid expenses, advances, or long term investments) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council) and its highest level of action (i.e., Ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Government Fund Balances (Continued)

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or the Finance Director.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

W. Use of Estimates

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

NOTE 2 CASH AND INVESTMENTS

Cash

At September 30, 2020, the bank balances of the City's deposits consisted of \$4,501,153 in demand deposits and \$272,689 in certificates of deposit.

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's monies must be deposited in banks designated as qualified public depositories by the Chief Financial Officer, Florida Department of Financial Services. Therefore, the City's total deposits are insured by the Federal Depository Insurance Corporation and collateralized by the Bureau of Collateral Management, Division of Treasury, Florida Department of Financial Services. The law requires the Chief Financial Officer to ensure that funds are entirely collateralized throughout the fiscal year. Other than the preceding, the City has no policy on custodial credit risk.

Collateral is provided for demand deposits through the Florida Security for Public Deposits Act. This law establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under this law, the qualified public depository must pledge at least 25% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash (Continued)

Additional collateral, up to a maximum of 150%, may be required if deemed necessary under the conditions set forth in this law. Eligible collateral consists of obligations of the United States and its agencies and obligations of states and their local political subdivisions and unaffiliated corporations.

Obligations pledged to secure deposits must be delivered to the Department of Financial Services or, with the approval of the Chief Financial Officer, to a bank, savings association or trust company provided a power of attorney is delivered to the Chief Financial Officer. On a monthly basis, the Chief Financial Officer determines that the collateral has a fair value adequate to cover the deposits under the provisions of this law.

Cash and cash equivalents at September 30, 2020, including restricted amounts, consist of:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Component Unit
Petty Cash and Change Funds	\$ 700	\$ 2,200	\$ -	\$ -
Demand and Brokerage Deposits	1,969,146	2,370,635	-	15,740
Cash with Fiscal Agent	100,000	-	-	-
Certificate of Deposit	-	272,689	-	-
Money Market Mutual Funds	-	-	629,841	-
Florida PRIME	10,924,925	8,387,872	-	1,388,516
Total Cash and Cash Equivalents	<u>\$ 12,994,771</u>	<u>\$ 11,033,396</u>	<u>\$ 629,841</u>	<u>\$ 1,404,256</u>

Investments

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

Florida PRIME

Florida PRIME is an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2020, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month London Interbank Offered Rate (LIBOR) rates. These investments represented 17.8% of the Florida PRIME's portfolio at September 30, 2020.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, as a cash equivalent.

The dollar weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2020 was 48 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2020 was 63 days.

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

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

As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The City has no policy on credit risk. Investments at fair value and corresponding credit risk rating as of September 30, 2020 are as follows:

Investment Type	Fiduciary Funds	Credit Rating
U.S. Government Obligations	\$ 1,469,856	Aaa
U.S. Government Obligations	107,780	AA+
U.S. Federal Agency Obligations	509,991	Aaa
Mortgage Backed Securities	1,421,664	Aaa
Mortgage Backed Securities	1,431,132	Not Rated
Mortgage Backed Securities	16,908	A3
Municipal Obligations	24,639	A2
Corporate Bonds	384,972	Aa1 to Aa3
Corporate Bonds	5,084,421	A1 to A3
Corporate Bonds	37,611	Aaa
Corporate Bonds	19,762	Ba1
Corporate Bonds	621,074	Baa2 to Baa3
Corporate Bonds	14,046	WR
Common Stock	8,774,100	Not Applicable
Mutual Funds - Equities	11,407,803	Not Applicable
Real Estate Partnership	2,049,048	Not Applicable
Total Investments	<u>\$ 33,374,807</u>	

The fiduciary funds have two money market mutual funds, one that has \$278,469 that is rated by Standard and Poor's with a credit risk rating of AAAM and a weighted average maturity of 38 days, and a second money market mutual fund that has \$351,372 that is rated by Standard and Poor's with a credit risk rating of AAAM and a weighted average maturity of 52.7 days at September 30, 2020.

At September 30, 2020, Florida PRIME has a credit rating of AAAM.

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value

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

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

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

Other information for investments measured at the NAV or its equivalent is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Fund	\$ 2,049,048	\$ 1,199	Quarterly	Daily

Real Estate Fund – The American Core Realty Fund is an open-end diversified core real estate commingled fund whose primary objective is to provide returns that are attractive relative to other asset classes with stable income and the potential for market appreciation. The American Core Realty Fund invests primarily in core institutional quality industrial, multi-family, office and retail properties located throughout the United States, and is diversified by product type, geographic region, and economic exposure in order to mitigate investment risk.

The City had the following fair value measurements as of September 30, 2020:

	Total	Level 1	Level 2	Level 3
Investments at Fair Value Level:				
U.S. Government Obligations	\$ 1,577,636	\$ 811,063	\$ 766,573	\$ -
U.S. Federal Agency Obligations	509,991	-	509,991	-
Mortgage Backed Securities	2,869,704	-	2,869,704	-
Municipal Obligations	24,639	-	24,639	-
Corporate Bonds	6,161,886	-	6,161,886	-
Common Stock	8,774,100	8,774,100	-	-
Mutual Funds - Equities	11,407,803	11,407,803	-	-
Total Investments Measured at Fair Value	31,325,759	\$ 20,992,966	\$ 10,332,793	\$ -
Investments Measured at Amortized Cost or NAV				
Real Estate Partnership	2,049,048			
Florida PRIME	20,701,313			
Total Investments	\$ 54,076,120			

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no policy on interest rate risk. Investments and related level of risk at September 30, 2020 are as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Fiduciary Funds:					
U.S. Government Obligations	\$ 1,577,636	\$ -	\$ 328,500	\$ 944,861	\$ 304,275
U.S. Federal Agency Obligations	509,991	509,991	-	-	-
Mortgage Backed Securities	2,869,704	1,289,607	328,295	78,242	1,173,560
Municipal Obligations	24,639	-	-	-	24,639
Corporate Bonds	6,161,886	209,084	1,476,147	3,921,572	555,083
Total	<u>\$ 11,143,856</u>	<u>\$ 2,008,682</u>	<u>\$ 2,132,942</u>	<u>\$ 4,944,675</u>	<u>\$ 2,057,557</u>

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

NOTE 3 RECEIVABLES

Receivables as of September 30, 2020 for the City's individual major funds and internal service fund, including applicable allowances for uncollectible balances, are as follows:

	<u>Governmental Activities</u>		
	<u>General</u>	<u>Internal Service</u>	<u>Total</u>
Utility and Franchise Taxes	\$ 228,743	\$ -	\$ 228,743
Customer Charges	1,965	-	1,965
Reinsurance	-	150,651	150,651
Miscellaneous	1,949	43,485	45,434
Gross Receivables	232,657	194,136	426,793
Allowance for Doubtful Accounts	(1,689)	-	(1,689)
Total	<u>\$ 230,968</u>	<u>\$ 194,136</u>	<u>\$ 425,104</u>

	<u>Business-Type Activities</u>		
	<u>Water and Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Utility and Franchise Taxes	\$ -	\$ 1,303	\$ 1,303
Customer Charges	466,976	56,923	523,899
Customer Charges - Unbilled	204,523	-	204,523
Gross Receivables	671,499	58,226	729,725
Allowance for Doubtful Accounts	(39,547)	-	(39,547)
Total	<u>\$ 631,952</u>	<u>\$ 58,226</u>	<u>\$ 690,178</u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ending September 30, 2020 were as follows:

	Transfer In Fund			Total
	General Fund	Water and Wastewater Fund	Golf Course Fund	
Transfer Out Fund:				
General Fund	\$ -	\$ 15,526	\$ 147,804	\$ 163,330
Infrastructure Fund	1,402	-	25,853	27,255
Water and Wastewater Fund	250,000	-	-	250,000
Solid Waste Fund	500,000	-	-	500,000
Total	<u>\$ 751,402</u>	<u>\$ 15,526</u>	<u>\$ 173,657</u>	<u>\$ 940,585</u>

Transfers are used to: 1) use unrestricted fund revenues to finance activities which must be accounted for in another fund; and 2) to move revenues from the fund that state law requires to collect them to the fund that state law requires to expend them.

Interfund balances at September 30, 2020 consisted of the following amounts:

	Due To Fund	
	General Fund	Health Insurance Fund
Due From Fund		
Major Funds:		
General Fund	\$ -	\$ 160,156
Water and Wastewater Fund	-	63,368
Solid Waste Fund	-	16,974
Nonmajor Governmental Funds	4,314	-
Nonmajor Proprietary Funds	-	12,975
Total	<u>\$ 4,314</u>	<u>\$ 253,473</u>

Amounts due to and from other funds arise from timing differences as a result of transactions and cash transfers for operating purposes.

NOTE 5 RESTRICTED ASSETS

Restricted assets in the Enterprise Funds consist of the following:

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

Restricted Assets for Loan Payable:	
Sinking Fund	\$ 23,541
Reserve Fund	51,587
Total Restricted Assets for Loans Payable	<u>75,128</u>
Other Restricted Assets:	
Customer Utility Deposits	2,135,012
Total Restricted Assets	<u>\$ 2,210,140</u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 RESTRICTED ASSETS (CONTINUED)

At September 30, 2020 the sinking fund balances are fully funded in accordance with loan requirements. The net position restricted for debt service of \$75,128 for business-type activities represents the Sinking and Reserve Funds assets established for the loans payable.

NOTE 6 CAPITAL ASSETS

Changes in Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers and Recassifications	Ending Balance
<u>Governmental Activities</u>					
Capital Assets not Being Depreciated:					
Land	\$ 1,639,331	\$ 202,751	\$ -	\$ -	\$ 1,842,082
Construction in Progress	173,470	962,832	7,308	(629,122)	499,872
Total Capital Assets not Being Depreciated	1,812,801	1,165,583	7,308	(629,122)	2,341,954
Capital Assets Being Depreciated:					
Buildings	5,043,073	22,911	-	593,198	5,659,182
Improvements Other Than Buildings	5,798,744	11,747	-	(2,753,526)	3,056,965
Equipment	6,376,474	897,280	328,267	(411,856)	6,533,631
Infrastructure	9,948,488	22,358	-	3,248,452	13,219,298
Total Capital Assets Being Depreciated	27,166,779	954,296	328,267	676,268	28,469,076
Less Accumulated Depreciation for:					
Buildings	2,514,359	162,021	-	217,366	2,893,746
Improvements Other Than Buildings	3,887,859	128,444	8,180	(1,645,485)	2,362,638
Equipment	5,109,650	357,203	328,267	(372,815)	4,765,771
Infrastructure	3,974,952	473,870	-	1,848,080	6,296,902
Total Accumulated Depreciation	15,486,820	1,121,538	336,447	47,146	16,319,057
Capital Assets Being Depreciated, Net	11,679,959	(167,242)	(8,180)	629,122	12,150,019
Governmental Activities Capital Assets, Net	<u>\$ 13,492,760</u>	<u>\$ 998,341</u>	<u>\$ (872)</u>	<u>\$ -</u>	<u>\$ 14,491,973</u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 CAPITAL ASSETS (CONTINUED)

Changes in Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers and Recassifications	Ending Balance
<u>Business-Type Activities</u>					
Capital Assets not Being Depreciated:					
Land	\$ 577,877	\$ -	\$ -	\$ -	\$ 577,877
Construction in Progress	902,390	458,251	-	(1,104,160)	256,481
Total Capital Assets not Being Depreciated	1,480,267	458,251	-	(1,104,160)	834,358
Capital Assets Being Depreciated:					
Buildings	1,680,065	22,141	-	572,149	2,274,355
Equipment	7,688,835	403,453	322,352	1,547,726	9,317,662
Golf Course Improvements	1,187,489	25,851	-	80,040	1,293,380
Water System	40,631,556	41,456	-	1,481,705	42,154,717
Wastewater System	34,120,859	253,500	-	(2,624,606)	31,749,753
Total Capital Assets Being Depreciated	85,308,804	746,401	322,352	1,057,014	86,789,867
Less Accumulated Depreciation for:					
Buildings	721,295	85,088	-	268,267	1,074,650
Equipment	5,002,648	668,846	302,291	1,357,836	6,727,039
Golf Course Improvements	843,476	38,827	-	80,041	962,344
Water System	21,382,104	1,212,673	-	332,753	22,927,530
Wastewater System	19,854,785	946,621	1,005	(2,086,043)	18,714,358
Total Accumulated Depreciation	47,804,308	2,952,055	303,296	(47,146)	50,405,921
Capital Assets Being Depreciated, Net	37,504,496	(2,205,654)	19,056	1,104,160	36,383,946
Business-Type Activities Capital Assets, Net	<u>\$ 38,984,763</u>	<u>\$ (1,747,403)</u>	<u>\$ 19,056</u>	<u>\$ -</u>	<u>\$ 37,218,304</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 159,759
Law Enforcement	168,375
Fire Control	216,469
Building and Zoning	9,444
Physical Environment	83,591
Transportation	370,560
Culture and Recreation	113,340
Total Depreciation Expense, Governmental Activities	<u>\$ 1,121,538</u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 CAPITAL ASSETS (CONTINUED)

Changes in Capital Assets (Continued)

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

Business-Type Activities:	
Water	\$ 1,417,966
Wastewater	1,158,711
Solid Waste	285,204
Golf Course	90,174
Total Depreciation Expense, Business-Type Activities	<u>\$ 2,952,055</u>

The City owns a well and related equipment currently not in use. This idle property was purchased in 2001 for \$192,060 and has a carrying value of \$89,243 at September 30, 2020.

NOTE 7 COMMITMENTS

Construction Commitments

The following is a summary of the projects in process and other commitments remaining at September 30, 2020:

	Commitment Authorized	Expended to September 30, 2020	Remaining Commitment
General Fund:			
Veteran's Beach Boatramp, Seawall and Parking Lot Improvements	\$ 162,112	\$ 109,603	\$ 52,509
Infrastructure Fund:			
Sebring Parkway Improvements	1,247,204	234,510	1,012,694
Other Road and Sidewalk Improvements	54,332	45,077	9,255
Building Improvements	142,561	8,716	133,845
Veteran's Beach Boatramp, Seawall and Parking Lot Improvements	318,858	181,543	137,315
Stormwater Improvements	169,830	23,306	146,524
CDBG Fund:			
Road Improvements	60,000	13,750	46,250
Water and Wastewater Fund:			
Water Line and Plant Improvements	1,503,996	13,185	1,490,811
Wastewater Plant and Collection Improvements	1,189,658	287,763	901,895
Total	<u>\$ 4,848,551</u>	<u>\$ 917,453</u>	<u>\$ 3,931,098</u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 COMMITMENTS (CONTINUED)

Encumbrances

Other significant commitments include encumbrances outstanding as shown below:

General Fund	\$ 96,894
Water and Wastewater Fund	369,140
Golf Course Fund	13,991
Total	<u>\$ 480,025</u>

NOTE 8 PLEDGED REVENUES

The City has pledged future revenues derived from the operation of the water and wastewater systems and public service taxes, net of operating and maintenance expenses, to repay five loans amounting to \$7,153,625. The loan descriptions and maturities are included in Note 9 and are payable solely from the net earnings of the water and wastewater systems. The total principal and interest remaining to be paid on the loans is \$7,454,271. Principal paid and interest expense for the current year was \$2,327,695 and net system revenues were \$6,413,014. Scheduled principal and interest for pledged loans for fiscal year 2021 is \$2,333,364. Annual payments of debt service are expected to require 36.4% of available net revenues.

NOTE 9 LONG-TERM DEBT

Long-term liability activity of the City for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
<u>Governmental Activities</u>						
Compensated Absences	\$ 295,031	\$ 387,889	\$ 366,460	\$ 316,460	\$ 316,460	\$ -
Total Governmental Activities Long-Term Liabilities	<u>\$ 295,031</u>	<u>\$ 387,889</u>	<u>\$ 366,460</u>	<u>\$ 316,460</u>	<u>\$ 316,460</u>	<u>\$ -</u>
<u>Business-Type Activities</u>						
Capital Lease Obligations	\$ 342,878	\$ -	\$ 226,366	\$ 116,512	\$ 116,512	\$ -
Direct Borrowings	944,163	-	127,983	816,180	130,787	685,393
Direct Placements	8,356,330	-	2,018,885	6,337,445	2,068,760	4,268,685
Compensated Absences	101,476	121,454	98,207	124,723	124,723	-
Landfill Closure	380,000	87,500	-	467,500	-	467,500
Total Business-Type Activities Long-Term Liabilities	<u>\$ 10,124,847</u>	<u>\$ 208,954</u>	<u>\$ 2,471,441</u>	<u>\$ 7,862,360</u>	<u>\$ 2,440,782</u>	<u>\$ 5,421,578</u>

For governmental activities, compensated absences are liquidated by the General Fund.

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 9 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the debt outstanding as of September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Direct Borrowings and Direct Placements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,199,548	\$ 133,816	\$ 2,333,364
2022	2,247,203	85,589	2,332,792
2023	2,291,733	36,360	2,328,093
2024	89,565	9,986	99,551
2025	41,107	8,416	49,523
2026 - 2030	222,715	24,901	247,616
2031 - 2034	61,754	1,578	63,332
Total	<u>\$ 7,153,625</u>	<u>\$ 300,646</u>	<u>\$ 7,454,271</u>

Direct Placement – 2011 Utility Revenue Refunding Note

Refunding note payable at September 30, 2020 is as follows:

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

\$ 6,337,445

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

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

Rates – The City will establish, maintain and collect fees, rates or other charges for the services of the system that will provide in each fiscal year 135% of the annual debt service requirement. If the City does not meet this covenant, the note rate shall be increased by 0.15% per annum retroactive to the first day following the end of such fiscal year. For fiscal year 2020, the refunding note coverage for the City's rate test is 275%.

Default - In the event of default, Holders of the Bond may appoint a trustee to represent the Bondholders in any legal proceedings for the enforcement and protection of the rights of the Bondholders.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Direct Placement – 2011 Utility Revenue Refunding Note (Continued)

Redemption – The Series 2011 bonds may be redeemed only in the principal amount of \$5,000 each and integral multiples thereof with at least 60 days' notice.

Direct Borrowing – State Revolving Fund Loans

The City also has five State Revolving Fund loans with a total balance of \$816,180. The loans will be used for water and wastewater projects. The loans are secured by pledged revenues of the water and sewer system.

State Revolving Fund Loan – Lake Jackson Shores

<u>Description</u>	<u>Outstanding at September 30, 2020</u>
\$1,649,519 loan payable (\$154,438 at 3.08% and \$1,495,081 at 1.87%); from the State of Florida, Department of Environmental Protection; semiannual payment of \$50,029, including interest, beginning August 15, 2004 through February 15, 2024; secured by a pledge of net revenues of the water and wastewater system.	<u>\$ 336,658</u>

In the event of default, the timing of repayment of outstanding balances may be accelerated, or the financing rate on the unpaid principal of the loans may be increased as much as 3.333 times the financing rate.

State Revolving Fund Loan – Sparta Road

<u>Description</u>	<u>Outstanding at September 30, 2020</u>
\$165,859 loan payable at 2.71% from the State of Florida, Department of Environmental Protection; semiannual payment of \$5,476, including interest, beginning June 15, 2011 through December 15, 2030; secured by a pledge of net revenues of the water and wastewater system.	<u>\$ 99,506</u>

In the event of default, the timing of repayment of outstanding balances may be accelerated, or the financing rate on the unpaid principal of the loans may be increased as much as 1.667 times the financing rate.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Direct Borrowing – State Revolving Fund Loans (Continued)

State Revolving Fund Loan – Airport Road

<u>Description</u>	<u>Outstanding at September 30, 2020</u>
\$69,227 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$2,140, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system.	<u>\$ 42,165</u>

In the event of default, the timing of repayment of outstanding balances may be accelerated, or the financing rate on the unpaid principal of the loans may be increased as much as 1.667 times the financing rate.

State Revolving Fund Loan – State Road 17

<u>Description</u>	<u>Outstanding at September 30, 2020</u>
\$517,413 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$17,145, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system.	<u>\$ 337,851</u>

In the event of default, the timing of repayment of outstanding balances may be accelerated, or the financing rate on the unpaid principal of the loans may be increased as much as 1.667 times the financing rate.

State Revolving Fund Loan – West Lake Jackson

<u>Description</u>	<u>Outstanding at September 30, 2020</u>
\$225,500 loan payable at 0% from the State of Florida, Department of Environmental Protection; semiannual payment of \$11,475, including interest, beginning February 15, 2022 through August 15, 2032; secured by a pledge of net revenues of the water and wastewater system.	<u>\$ -</u>

In the event of default, the timing of repayment of outstanding balances may be accelerated, or the financing rate on the unpaid principal of the loans may be increased as much as 1.667 times the financing rate.

There were no draws on this loan as of September 30, 2020.

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 9 LONG-TERM DEBT (CONTINUED)

Capital Lease Obligations

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

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

The assets acquired through the capital lease are as follows:

	<u>Business-Type Activities</u>
Asset:	
Water Meters	\$ 2,700,000
Less Accumulated Depreciation	(1,912,500)
Net Book Value	<u>\$ 787,500</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

<u>Year Ending September 30,</u> 2021	<u>Business-Type Activities</u>
Total Minimum Lease Payments	\$ 118,788
Less: Amount Representing Interest	118,788
Present Value of Minimum Lease Payments	(2,276)
	<u>\$ 116,512</u>

NOTE 10 LANDFILL CLOSURE LIABILITY

The City owns and operates a landfill for yard trash as part of its solid waste operation. The solid waste operation of the City is accounted for as a business-type activity in the Solid Waste Fund. In September 2012, the Florida Department of Environmental Protection approved a change to the City's landfill permit. The landfill permit in effect until September 21, 2012, was a general landfill permit, which required a restriction on funds to cover 30 years of post-closure maintenance. The new permit is a yard waste facility permit, which requires no funding of the closure and post-closure maintenance. At September 30, 2020, the City has maintained a \$467,500 liability to cover the estimated landfill closure requirements of the Florida Department of Environmental Protection.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 11 RISK MANAGEMENT

Risk Pool

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

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

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

Risk Retention

The City self-insures the health benefits it provides to its employees. The City's plan retains the risk of loss for the medical claims up to \$60,000, and paid by December 31, 2020, per individual per year with an overall additional deductible of \$130,000. The City uses specific reinsurance with a deductible of \$130,000 to reduce its exposure for medical claims, excluding vision, dental and drug benefits, incurred and paid by September 30, 2020 that exceed a \$60,000 limit per individual. The City also utilizes an aggregate policy to reduce its exposure for total medical claims. The City's aggregate policy provides coverage of \$1,000,000 on an overall basis when covered medical claims exceed \$2,129,883 during the current fiscal year. The City also purchases commercial insurance for its exposure related to life benefits provided to employees. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

The liability at September 30, 2020 is \$352,198. The following is a summary of changes in the liability balance:

Fiscal Year	Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimate of Liability	Net Claim Payments	Liability End of Fiscal Year
2018-2019	\$ 907,398	\$ 2,044,789	\$ 2,437,154	\$ 515,033
2019-2020	515,033	1,799,311	1,962,146	352,198

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 11 RISK MANAGEMENT (CONTINUED)

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

NOTE 12 PENSION PLANS

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

The Police Officers' Retirement Trust Fund (PORTF) and Municipal Firefighters' Pension Plan (MFPP) financial statements are reported as pension trust funds in the fiduciary fund financial statements. These statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due and when the employer has made a formal commitment to provide the contributions. State contributions to the PORTF and MFPP are recognized in the period payment is made from the State. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

	Police Officers' Retirement Trust Fund	Municipal Firefighters' Pension Plan	Total
Assets			
Cash and Cash Equivalents	\$ 278,469	\$ 351,372	\$ 629,841
Receivables:			
Interest and Dividends	34,858	31,183	66,041
Partnership Distribution	7,244	-	7,244
Other	832	-	832
Total Receivables	42,934	31,183	74,117
Investments, at Fair Value:			
U.S. Government Obligations	615,617	962,019	1,577,636
U.S. Federal Agency Obligations	509,991	-	509,991
Mortgage Backed Securities	1,770,428	1,099,276	2,869,704
Municipal Obligations	-	24,639	24,639
Corporate Bonds	3,716,396	2,445,490	6,161,886
Common Stock	6,910,718	1,863,382	8,774,100
Mutual Funds - Equities	4,865,957	6,541,846	11,407,803
Real Estate Partnership	987,342	1,061,706	2,049,048
Total Investments	19,376,449	13,998,358	33,374,807
 Total Assets	 19,697,852	 14,380,913	 34,078,765
Liabilities			
Accounts Payable	14,819	21,758	36,577
Total Liabilities	14,819	21,758	36,577
 Net Position Restricted for Pensions	 <u><u>\$ 19,683,033</u></u>	 <u><u>\$ 14,359,155</u></u>	 <u><u>\$ 34,042,188</u></u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

	Police Officers' Retirement Trust Fund	Municipal Firefighters' Pension Plan	Total
Additions			
Contributions:			
City	\$ 662,293	\$ 689,652	\$ 1,351,945
Plan Members	50,658	18,604	69,262
Total Contributions	<u>712,951</u>	<u>708,256</u>	<u>1,421,207</u>
Investment Income:			
Net Appreciation in Fair Value of Investments	1,377,477	931,054	2,308,531
Interest and Dividends	338,102	345,917	684,019
Other	39,852	42,031	81,883
Subtotal	<u>1,755,431</u>	<u>1,319,002</u>	<u>3,074,433</u>
Less Investment Expenses	<u>(79,183)</u>	<u>(59,806)</u>	<u>(138,989)</u>
Net Investment Income	<u>1,676,248</u>	<u>1,259,196</u>	<u>2,935,444</u>
Total Additions	<u>2,389,199</u>	<u>1,967,452</u>	<u>4,356,651</u>
Deductions			
Payments to Retirees and Participants	596,051	971,711	1,567,762
Administration Expenses	47,170	38,906	86,076
Total Deductions	<u>643,221</u>	<u>1,010,617</u>	<u>1,653,838</u>
Net Increase in Net Position	1,745,978	956,835	2,702,813
Net Position Restricted for Pension:			
Beginning of Year	17,937,055	13,402,320	31,339,375
End of Year	<u>\$ 19,683,033</u>	<u>\$ 14,359,155</u>	<u>\$ 34,042,188</u>

Police Officers' Retirement Trust Fund (PORTF)

Plan Description

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Police Officers' Retirement Trust Fund (PORTF) (Continued)

Plan Membership

As of September 30, 2018, the members of the plan were as follows:

Inactive Plan Members or Beneficiaries Receiving Benefits	22
Inactive Plan Members Entitled to but not Receiving Benefits	1
Active Plan Members	19
Total	<u>42</u>

Benefits Provided

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

Cost of living adjustments (COLA) will be made on October 1 for service retirees who retire after September 1, 1998. The increase is prorated for those receiving benefits for less than 1 year. The COLA is not applied to the supplemental benefit.

Funding Policy

The City Council establishes and may amend the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. The PORTF, beginning fiscal year 2014, no longer receives a portion of a 0.85% tax on all premiums collected on casualty insurance policies on property within the City because the City closed the plan. Administrative costs for each plan are financed through investment earnings. Covered employees contribute 5% of their salary.

The required City contributions to the Plan for the year ended September 30, 2020 was 56.9% of payroll. Actual contributions for the year totaled \$660,575, or 100% of the required contribution. Contribution requirements for the Plan are established and may be amended by state law and city ordinance.

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

Police Officers' Retirement Trust Fund (PORTF) (Continued)

Deferred Retired Option Program (DROP)

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

The DROP balance as of September 30, 2020 is \$329,244.

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2019. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

Total Pension Liability	\$ 19,427,720
Plan Fiduciary Net Position	<u>(17,937,055)</u>
Net Pension Liability	<u><u>\$ 1,490,665</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.33%

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - September 30, 2019	\$ 17,750,007	\$ 17,307,954	\$ 442,053
Changes for the Year:			
Service Cost	380,644	-	380,644
Interest	1,302,386	-	1,302,386
Difference Between Actual and Expected Experience	333,428	-	333,428
Assumption Changes	240,751	-	240,751
Contributions - City	-	486,016	(486,016)
Contributions - Employee	-	58,476	(58,476)
Net Investment Income	-	709,111	(709,111)
Benefit Payments, Including Refunds of Employee Contributions	(579,496)	(579,496)	-
Administrative Expense	-	(45,006)	45,006
Net Changes	<u>1,677,713</u>	<u>629,101</u>	<u>1,048,612</u>
Balances - September 30, 2020	<u><u>\$ 19,427,720</u></u>	<u><u>\$ 17,937,055</u></u>	<u><u>\$ 1,490,665</u></u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

Police Officers' Retirement Trust Fund (PORTF) (Continued)

Net Pension Liability of the City (Continued)

For the year ended September 30, 2020, the City recognized pension expense of \$1,161,626 for the plan. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 111,143	\$ -
Changes in Assumptions	80,250	-
Net Difference between Projected and Actual		
Earnings on Plan Investments	169,059	-
City Contributions Subsequent to the Measurement Date	660,575	-
Total	<u>\$ 1,021,027</u>	<u>\$ -</u>

The deferred outflows of resources related to the Pension Plan, totaling \$660,575 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 180,796
2022	(30,399)
2023	99,721
2024	110,334

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2019, using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50 %
Salary Increases	5.00
Investment Rate of Return	7.20

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Police Officers' Retirement Trust Fund (PORTF) (Continued)

Net Pension Liability of the City (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	45%	7.5%
International Equity	15%	8.5%
Domestic Bonds	35%	2.5%
Real Estate	5%	4.5%
	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.20%, which was a decrease of 0.10% from the 7.30% rate used for the prior measurement.

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

Mortality rates were based on the fully generational RP- 2000 Mortality Table for annuitants with future improvements in mortality projected to all future years using Scale BB.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Police Officers' Retirement Trust Fund (PORTF) (Continued)

Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liabilities of the City, calculated using the discount rates noted above, as well as what the City's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Net Pension Liability as of the Measurement Date	6.2% \$ 4,211,549	7.2% \$ 1,490,665	8.2% \$ (701,747)

Net Pension Liability of the City on the Plan's Fiscal Year-End

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2020 were as follows:

Total Pension Liability	\$ 20,707,660
Plan Fiduciary Net Position	<u>(19,683,033)</u>
Net Pension Liability	<u><u>\$ 1,024,627</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.05%
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The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2019, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2020, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	5.00
Investment Rate of Return	7.10

Mortality rates were based on the fully generational RP- 2000 Mortality Table for annuitants with future improvements in mortality projected to all future years using Scale BB.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Police Officers' Retirement Trust Fund (PORTF) (Continued)

Net Pension Liability of the City on the Plan's Fiscal Year-End (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	45%	7.5%
International Equity	15%	8.5%
Domestic Bonds	35%	2.5%
Real Estate	5%	4.5%
	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.10%. The discount rate was lowered from 7.20% to 7.10%.

The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the plan member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.1% was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liabilities of the City, calculated using the discount rates noted above, as well as what the City's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Net Pension Liability	6.1%	7.1%	8.1%
as of the Measurement Date	\$ 4,586,751	\$ 1,024,627	\$ (671,430)

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Police Officers' Retirement Trust Fund (PORTF) (Continued)

Net Pension Liability of the City on the Plan's Fiscal Year-End (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2020 and the current sharing pattern of costs between employer and employee.

Municipal Firefighters' Pension Plan (MFPP)

Plan Description

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

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

Plan Membership

As of September 30, 2018, the members of the plan were as follows:

Inactive Plan Members or Beneficiaries Receiving Benefits	22
Inactive Plan Members Entitled to but not Receiving Benefits	2
Active Plan Members	4
Total	<u>28</u>

Benefits Provided

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Funding Policy

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

The required City contributions to the Plan for the year ended September 30, 2020 was 240.96% of payroll. Actual contributions for the year totaled \$689,652, or 100% of the required contribution. Contribution requirements for the Plan are established and may be amended by state law and city ordinance.

Deferred Retired Option Program (DROP)

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

As of September 30, 2020 there are no outstanding DROP balances.

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2019. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

Total Pension Liability	\$ 16,616,131
Plan Fiduciary Net Position	<u>(13,402,321)</u>
Net Pension Liability	<u><u>\$ 3,213,810</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.66%
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CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City (Continued)

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances - September 30, 2019	\$ 16,221,764	\$ 13,291,556	\$ 2,930,208
Changes for the Year:			
Service Cost	110,766	-	110,766
Interest	1,232,343	-	1,232,343
Difference Between Actual and Expected Experience	(45,675)	-	(45,675)
Assumption Changes	163,355	-	163,355
Changes in Benefit Terms	(109)	-	(109)
Contributions - City	-	626,330	(626,330)
Contributions - Employee	-	17,583	(17,583)
Net Investment Income	-	569,452	(569,452)
Benefit Payments, Including Refunds of Employee Contributions	(1,066,313)	(1,066,313)	-
Administrative Expense	-	(36,287)	36,287
Net Changes	394,367	110,765	283,602
Balances - September 30, 2020	<u>\$ 16,616,131</u>	<u>\$ 13,402,321</u>	<u>\$ 3,213,810</u>

For the year ended September 30, 2020, the City recognized pension expense of \$719,521 for the plan. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Plan Investments	\$ 240,594	\$ -
City Contributions Subsequent to the Measurement Date	689,652	-
Total	<u>\$ 930,246</u>	<u>\$ -</u>

The deferred outflows of resources related to the Pension Plan, totaling \$689,652 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2021.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City (Continued)

Other amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 34,746
2022	31,838
2023	93,317
2024	80,693

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2019, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	7.00
Investment Rate of Return	7.60

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	45%	7.5%
International Equity	15%	8.5%
Domestic Bonds	35%	2.5%
Real Estate	5%	4.5%
	<u>100%</u>	

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City (Continued)

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.60%, which was a decrease of 0.10% from the 7.70% rate used for the prior measurement.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor 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 plans' 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.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liabilities of the City, calculated using the discount rates noted above, as well as what the City's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Net Pension Liability	6.6%	7.6%	8.6%
as of the Measurement Date	\$ 5,215,875	\$ 3,213,810	\$ 1,563,045

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2019 and the current sharing pattern of costs between employer and employee.

Net Pension Liability of the City on the Plan's Fiscal Year-End

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2020 were as follows:

Total Pension Liability	\$ 16,859,100
Plan Fiduciary Net Position	<u>(14,359,156)</u>
Net Pension Liability	<u><u>\$ 2,499,944</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.17%
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**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City on the Plan's Fiscal Year-End (Continued)

The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2019, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2020, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	7.00
Investment Rate of Return	7.50

Mortality rates were based on the PubS.H-2010 (Below Median) for Employees, set forward one year.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	45%	7.5%
International Equity	15%	8.5%
Domestic Bonds	35%	2.5%
Real Estate	5%	4.5%
	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.50%. The discount rate was lowered from 7.60% to 7.50%.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City on the Plan's Fiscal Year-End (Continued)

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor 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 plans' 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.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liabilities of the City, calculated using the discount rates noted above, as well as what the City's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Net Pension Liability	6.5%	7.5%	8.5%
as of the Measurement Date	\$ 4,473,119	\$ 2,499,944	\$ 871,525

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2020 and the current sharing pattern of costs between employer and employee.

Florida Retirement System (FRS)

Background

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

Background (Continued)

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

The City's pension expense totaled \$2,451,326 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2020.

Plan Description

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

Plan Description (Continued)

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

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

Benefits Provided

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

Benefits Provided (Continued)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Class Members Initially Enrolled before July 1, 2011	
Retirement up to Age 62 or up to 30 Years of Service	1.60
Retirement at Age 63 or with 31 Years of Service	1.63
Retirement at Age 64 or with 32 Years of Service	1.65
Retirement at Age 65 or with 33 Years of Service	1.68
Regular Class Members Initially Enrolled on or after July 1, 2011	
Retirement up to Age 65 or up to 33 Years of Service	1.60
Retirement at Age 66 or with 34 Years of Service	1.63
Retirement at Age 67 or with 35 Years of Service	1.65
Retirement at Age 68 or with 36 Years of Service	1.68
Elected City Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the City, effective July 1, 2019, were applied to employee salaries as follows: regular employees 6.75%, special risk 23.76%, city elected officials 47.10%, senior management 23.69%, and DROP participants 12.88%. The City's contributions to the FRS Plan were \$725,370 for the year ended September 30, 2020.

Pension Costs

At September 30, 2020, the City reported a liability of \$8,943,445 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The City's proportion of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2020, the City's proportion was 0.020634843%, which was an increase of 0.000722895% from its proportion measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$2,222,350 for its proportionate share of FRS's pension expense. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 342,284	\$ -
Changes in Assumptions	1,619,048	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	532,501	-
Changes in Proportion and Differences between City's Pension Plan Contributions and Proportionate Share of Contributions	1,074,711	994
City Contributions Subsequent to the Measurement Date	190,819	-
Total	<u>\$ 3,759,363</u>	<u>\$ 994</u>

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Pension Costs (Continued)

The deferred outflows of resources related to the pension plan, totaling \$190,819 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 854,029
2022	1,139,837
2023	923,380
2024	516,740
2025	133,564

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.25%, Average, including inflation
Investment Rate of Return	6.80%

Mortality rates were based on the PUB-2010 base table, varies by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			

Assumed Inflation - Mean

2.4%

1.7%

Discount Rate

The discount rate used to measure the total pension liability was 6.80% for the FRS Plan, which was a 0.10% decrease from the 6.9% rate as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's Proportionate Share of the Net Pension Liability	\$ 14,281,179	\$ 8,943,445	\$ 4,485,347

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

HIS Plan

Plan Description

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

Benefits Provided

For the plan fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a State administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The City's contributions to the HIS Plan were \$93,595 for the year ended September 30, 2020.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

HIS Plan (Continued)

Pension Costs

At September 30, 2020, the City reported a liability of \$1,916,088 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The City's proportion of the net pension liability was based on the City's contributions received during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all participating employers. At June 30, 2020, the City's proportion was 0.015692987%, which was a decrease of 0.000362597% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$228,976 for its proportionate share of HIS's pension expense. In addition, the City reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 78,380	\$ 1,478
Changes in Assumptions	206,034	111,413
Net Difference between Projected and Actual Earnings on HIS Plan Investments	1,530	-
Changes in Proportion and Differences between City's HIS Plan Contributions and Proportionate Share of Contributions	282,837	35,708
City HIS Plan Contributions Subsequent to the Measurement Date	23,761	-
Total	<u>\$ 592,542</u>	<u>\$ 148,599</u>

The deferred outflows of resources related to the HIS plan, totaling \$23,761 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 120,902
2022	110,256
2023	74,421
2024	57,124
2025	36,181
Thereafter	21,298

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

HIS Plan (Continued)

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.25%, Average, including inflation
Investment Rate of Return	2.21

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018. The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.21% for the HIS Plan, which was a 1.29% decrease from the 3.50% rate as of June 30, 2019. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity

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

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
City's Proportionate Share of the Net Pension Liability	\$ 2,214,912	\$ 1,916,088	\$ 1,671,501

Pension Plan Fiduciary Net Position

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 PENSION PLANS (CONTINUED)

Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

Description	Police Officers' Retirement Trust Fund	Municipal Firefighters' Pension Plan	FRS Plan	HIS Plan	Total
Net Pension Liability	\$ 1,490,665	\$ 3,213,810	\$ 8,943,445	\$ 1,916,088	\$ 15,564,008
Deferred Outflows of Resources Related to Pensions	1,021,027	930,246	3,759,363	592,542	6,303,178
Deferred Inflows of Resources Related to Pensions	-	-	994	148,599	149,593
Pension Expense	1,161,626	719,521	2,222,350	228,976	4,332,473

FRS Investment Plan

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

FRS Investment Plan (Continued)

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

The City's Investment Plan pension expense totaled \$46,231 for the year ended September 30, 2020. Employee contributions to the Investment Plan totaled \$32,924 for the year ended September 30, 2020.

NOTE 13 POSTEMPLOYMENT BENEFITS:

Plan Description

The City of Sebring Other Postemployment Benefits Plan (OPEB) is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's medical, dental, and vision plan. The City subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher cost to the plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. The plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system (PERS) or another entity. The City Council has the authority to establish and amend benefit provisions of the plan.

Funding Policy

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

Employees Covered by Benefit Terms

Inactive Employees or Beneficiaries Currently Receiving Benefits	23
Active Employees	149
Total	<u>172</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 13 POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's total OPEB liability was measured as of September 30, 2020 and was determined by an actuarial valuation as of October 1, 2019. The following table shows the County's total OPEB liability for the year ended September 30, 2020.

	Total OPEB Liability
Balance - September 30, 2019	\$ 895,556
Changes Recognized for the Fiscal Year:	
Service Cost	17,789
Interest on the Total OPEB Liability	28,113
Changes in Assumptions	392,736
Benefit Payments	(88,699)
Net Changes	349,939
Balance - September 30, 2020	<u>\$ 1,245,495</u>

Discount Rate Sensitivity

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 a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 1.26%	Current Discount Rate 2.26%	1% Increase 3.26%
Total OPEB Liability	\$ 1,422,679	\$ 1,245,495	\$ 1,107,498

Healthcare Trend Rate Sensitivity

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-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rate 6.00%	Healthcare Cost Trend Rate 7.00%	1% Increase in Healthcare Cost Trend Rate 8.00%
Total OPEB Liability	\$ 1,110,601	\$ 1,245,495	\$ 1,407,960

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 13 POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$112,472. In addition, the City reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 390,436	\$ -

Amounts reported as deferred outflows and inflows of resources related to OPEB will be amortized over five years and will be recognized as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 62,887
2022	62,887
2023	62,887
2024	62,887
2025	62,887
Thereafter	76,001

Actuarial Assumptions

The total OPEB liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal as a level percentage of payroll
Discount Rate	2.26%
20-Year Municipal Bond Rate	2.22%
Salary Increases	3.50%
Mortality Rates	Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Table for both pre and post-retirement
Healthcare Cost Trend Rate	7.0%

Changes to the Total OPEB Liability

The liability increase is due to changes in the discount rate from 3.10% to 2.26%, plus changes in mortality table and mortality improvement scale assumptions to more current table/scale (table Pub-2010 from RP-2014 and improvement scale MP-2019 from improvement scale AA). This liability increase is partially offset by an update in healthcare cost inflation (trend) rates as compared to the prior valuation. The rate decreased from 9.00% to 7.00%.

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 FUND BALANCE DEFICIT

Special Revenue Fund

CDBG Fund – The fund balance deficit of \$4,013 is a result of grant related expenditures not reimbursed by the grantor within the period of availability for governmental funds.

NOTE 15 RELATED PARTY TRANSACTIONS:

During the year the City had the following related party transactions:

The City contracted with Central Florida Aquatics, Inc., a business owned by a City employee, for aquatic spraying and payments for the year amounted to \$8,812. These services were procured in compliance with the City's purchasing policies and before the employee was hired by the City.

NOTE 16 CONTINGENCIES:

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

NOTE 17 PRIOR PERIOD ADJUSTMENT:

During the current year it was determined that certain tax revenues were not recognized as revenue in the proper period. In accordance with the provisions of GASB Statement No. 33, derived tax revenue should be recognized when both the exchange transactions on which the tax is imposed have occurred and the resources are available.

To correct this error, beginning fund balances of the governmental funds and net position of the governmental activities have been restated as follows:

	General Fund	Infrastructure Fund		Governmental Activities
Fund Balance, Beginning of Year, as Previously Reported	\$ 9,088,586	\$ 3,519,483	Net Position, Beginning of Year as Previously Reported	\$ 20,761,853
Prior Period Adjustment for:			Prior Period Adjustment for:	
Derived Tax Revenue not Recorded in the Prior Year	113,586	70,773	Derived Tax Revenue not Recorded in the Prior Year	184,359
Fund Balance, Beginning of Year as Restated	<u>\$ 9,202,172</u>	<u>\$ 3,590,256</u>	Fund Balance, Beginning of Year as Restated	<u>\$ 20,946,212</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 18 SUBSEQUENT EVENT:

On December 23, 2020, the CRA entered into a direct placement agreement with a financial institution for \$1.5 million. The coupon rate on the bond is 1.82%. Interest is payable monthly, with four annual principal installments beginning April 1, 2021, with a final payment due April 1, 2024.

Additionally, the CRA purchased two properties within the district in October 2020 and one property in April 2021 that will be held for sale, totaling \$630,000 and \$195,000 respectively.

On November 13, 2020, the CRA received a donated property with an estimated land value of \$62,500. That property was subsequently demolished for \$210,288.

**CITY OF SEBRING, FLORIDA
POLICE OFFICERS' RETIREMENT TRUST FUND
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

Plan Reporting Period End	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Employer Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability							
Service Cost	\$ 403,117	\$ 380,644	\$ 363,014	\$ 335,631	\$ 347,080	\$ 368,970	\$ 363,710
Interest on Total Pension Liability	1,396,275	1,302,386	1,248,993	1,252,158	1,215,355	1,128,981	1,040,362
Differences Between Expected and Actual Experience	99,215	333,428	164,104	(95,597)	(223,168)	(73,552)	(8,567)
Benefit Payments, Including Refunds of Member Contributions	(876,257)	(579,496)	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Changes of Assumptions	257,590	240,751	221,555	138,404	-	-	-
Net Change in Total Pension Liability	1,279,940	1,677,713	471,810	206,179	1,089,451	1,172,534	1,163,699
Total Pension Liability - Beginning of Year	19,427,720	17,750,007	17,278,197	17,072,018	15,982,567	14,810,033	13,646,334
Total Pension Liability - End of Year	\$ 20,707,660	\$ 19,427,720	\$ 17,750,007	\$ 17,278,197	\$ 17,072,018	\$ 15,982,567	\$ 14,810,033
Plan Fiduciary Net Position							
Contributions - City	\$ 662,293	\$ 486,016	\$ 374,381	\$ 421,046	\$ 509,592	\$ 575,679	\$ 632,015
Contributions - Member	50,658	58,476	57,129	55,039	52,066	56,311	56,214
Net Investment Income	1,676,248	709,111	1,278,042	1,836,151	1,053,029	67,689	1,414,767
Benefit Payments, Including Refunds of Member Contributions	(596,051)	(579,496)	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Administrative expense	(47,170)	(45,006)	(32,400)	(31,475)	(28,658)	(22,296)	(16,786)
Net Change in Plan Fiduciary Net Position	1,745,978	629,101	151,296	856,344	1,336,213	425,518	1,854,404
Plan Fiduciary Net Position - Beginning of Year	17,937,055	17,307,954	17,156,658	16,300,314	14,964,101	14,538,583	12,684,179
Plan Fiduciary Net Position - End of Year	\$ 19,683,033	\$ 17,937,055	\$ 17,307,954	\$ 17,156,658	\$ 16,300,314	\$ 14,964,101	\$ 14,538,583
City's Net Pension (Asset) Liability	\$ 1,024,627	\$ 1,490,665	\$ 442,053	\$ 121,539	\$ 771,704	\$ 1,018,466	\$ 271,450
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.05%	92.33%	97.51%	99.30%	95.48%	93.63%	98.17%
Covered Employee Payroll	\$ 1,198,747	\$ 1,169,514	\$ 1,142,576	\$ 1,100,788	\$ 1,041,328	\$ 1,128,134	\$ 1,123,880
City's Net Pension Liability as a Percentage of Covered Employee Payroll	85.47%	127.46%	38.69%	11.04%	74.11%	90.28%	24.15%

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

**CITY OF SEBRING, FLORIDA
POLICE OFFICERS' RETIREMENT TRUST FUND
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS (CONTINUED)
LAST 10 FISCAL YEARS***

Notes to the Schedule

Changes of Benefit Terms:

There have been no changes in benefit terms.

Changes of Assumptions:

For the plan reporting period September 30, 2020, the investment return assumption was lowered from 7.2% to 7.1% effective October 1, 2019. This assumption will be reduced by 0.1% next year when the target investment return assumption of 7.0% will be reached.

For the plan reporting periods prior to September 30, 2020, the investment return assumption was lowered from 7.5% to 7.4% effective October 1, 2016 and to 7.3% on October 1, 2017. This assumption will be reduced by 0.1% each future year until 7.0% is reached.

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

**CITY OF SEBRING, FLORIDA
POLICE OFFICERS' RETIREMENT TRUST FUND
SCHEDULE OF CITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 660,575	\$ 486,016	\$ 374,381	\$ 421,046	\$ 509,592	\$ 602,818	\$ 604,876
Contributions in Relation to the Actuarially Determined Contribution	660,575	486,016	374,381	421,046	509,592	575,679	632,015
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,139	\$ (27,139)
Covered Employee Payroll	\$ 1,198,747	\$ 1,169,514	\$ 1,142,576	\$ 1,100,788	\$ 1,041,328	\$ 1,128,134	\$ 1,123,880
Contributions as a Percentage of Covered Payroll	55.11%	41.56%	32.77%	38.25%	48.94%	51.03%	56.24%

Notes to Schedule

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

Methods and assumptions used to determine contribution amounts:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	2.50% per year
Salary increases, including inflation	5.00%
Investment rate of return	7.20%
Retirement age	Experience-base table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.
Cost-of-living adjustments	3.0% effective each October 1 for service retirees who retire after 9/1/98.

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

**CITY OF SEBRING, FLORIDA
POLICE OFFICERS' RETIREMENT TRUST FUND
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expenses	6.12%	7.41%	7.26%	8.67%	7.72%	0.24%	7.67%

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

**CITY OF SEBRING, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

Plan Reporting Period End	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Employer Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability							
Service Cost	\$ 117,662	\$ 110,766	\$ 105,733	\$ 133,362	\$ 124,309	\$ 122,248	\$ 133,195
Interest on Total Pension Liability	1,234,848	1,232,343	1,193,050	1,163,405	1,089,417	1,089,014	1,070,745
Change of Benefit Terms	-	(109)	-	-	-	-	-
Differences Between Expected and Actual Experience	11,806	(45,675)	24,883	164,277	(142,772)	(347,147)	-
Benefit Payments, Including Refunds of Member Contributions	(971,578)	(1,066,313)	(935,564)	(1,172,459)	(854,991)	(867,149)	(1,011,803)
Changes of Assumptions	(149,769)	163,355	176,094	189,466	866,110	-	151,324
Net Change in Total Pension Liability	<u>242,969</u>	<u>394,367</u>	<u>564,196</u>	<u>478,051</u>	<u>1,082,073</u>	<u>(3,034)</u>	<u>343,461</u>
Total Pension Liability - Beginning of Year	16,616,131	16,221,764	15,657,568	15,179,515	14,097,442	14,100,476	13,757,015
Total Pension Liability - End of Year	<u><u>\$ 16,859,100</u></u>	<u><u>\$ 16,616,131</u></u>	<u><u>\$ 16,221,764</u></u>	<u><u>\$ 15,657,566</u></u>	<u><u>\$ 15,179,515</u></u>	<u><u>\$ 14,097,442</u></u>	<u><u>\$ 14,100,476</u></u>
Plan Fiduciary Net Position							
Contributions - City	\$ 689,652	\$ 626,330	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions - Member	18,604	17,583	17,129	17,940	22,149	21,222	20,518
Net Investment Income	1,259,196	569,452	912,482	1,242,879	895,002	42,513	856,594
Benefit Payments, Including Refunds of Member Contributions	(971,711)	(1,066,313)	(935,564)	(1,172,457)	(854,991)	(867,149)	(1,011,803)
Administrative Expense	(38,906)	(36,287)	(44,288)	(55,704)	(36,940)	(17,129)	(29,663)
Net Change in Plan Fiduciary Net Position	<u>956,835</u>	<u>110,765</u>	<u>569,910</u>	<u>452,299</u>	<u>506,125</u>	<u>(221,334)</u>	<u>516,845</u>
Plan Fiduciary Net Position - Beginning of Year	13,402,321	13,291,556	12,721,646	12,269,347	11,763,222	11,984,556	11,467,711
Plan Fiduciary Net Position - End of Year	<u><u>\$ 14,359,156</u></u>	<u><u>\$ 13,402,321</u></u>	<u><u>\$ 13,291,556</u></u>	<u><u>\$ 12,721,646</u></u>	<u><u>\$ 12,269,347</u></u>	<u><u>\$ 11,763,222</u></u>	<u><u>\$ 11,984,556</u></u>
City's Net Pension (Asset) Liability	<u><u>\$ 2,499,944</u></u>	<u><u>\$ 3,213,810</u></u>	<u><u>\$ 2,930,208</u></u>	<u><u>\$ 2,935,920</u></u>	<u><u>\$ 2,910,168</u></u>	<u><u>\$ 2,334,220</u></u>	<u><u>\$ 2,115,920</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.17%	80.66%	81.94%	81.25%	80.83%	83.44%	84.99%
Covered Employee Payroll	\$ 286,212	\$ 270,508	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
City's Net Pension Liability as a Percentage of Covered Employee Payroll	873.46%	1188.06%	1111.94%	1011.71%	854.06%	697.39%	670.31%

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

**CITY OF SEBRING, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS (CONTINUED)
LAST 10 FISCAL YEARS***

Notes to the Schedule

Changes of Benefit Terms:

For measurement date September 30, 2019, amounts reported as changes of benefit terms resulted from the provisions of Chapter 112.1816, Florida Statutes. The Statutes state that, effective July 1, 2019, a death or disability (under the Plan's definition of total and permanent disability) for a Firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty-related.

Changes of Assumptions:

Changes in investment rate of return are as follows:

<i>Change of Assumptions:</i>							
Plan Reporting Period End	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Investment Rate of Return	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%	8.0%
Change in Rate	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	0.0%	0.0%

For measurement date September 30, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

For measurement date September 30, 2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report.

For measurement date September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**CITY OF SEBRING, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 689,652	\$ 626,330	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions in Relation to the Actuarially Determined Contribution	689,652	626,330	620,151	419,641	480,905	599,209	681,199
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 286,212	\$ 270,508	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
Contributions as a Percentage of Covered Payroll	240.96%	231.54%	235.33%	144.61%	141.13%	179.02%	215.80%

**CITY OF SEBRING, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CITY'S CONTRIBUTIONS (CONTINUED)
LAST 10 FISCAL YEARS***

Notes to Schedule

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

Methods and assumptions used to determine contribution amounts:

Funding method	Frozen Entry Age Actuarial Cost Method. The following loads are utilized for determination of the total required contribution: Interest - None, assuming a lump sum City deposit at the beginning of each fiscal year. Salary - a full-year, based on the current 7.0% assumptions.
Amortization method	Level % of pay, closed
Remaining amortization period	24 years as of 10/1/2018 valuation
Actuarial asset method	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value returns (net of fees). Over time, this may result in an insignificant bias above or below the Market Value of Assets.
Interest rate	7.7% per year compounded annually, net of investment related expenses.
Salary increases	7.0% per year to the assumed retirement age. Projected salary at retirement is increased based on pensionable lump sums provided by the City as of May 7, 2013 to account for non-regular payments..
Payroll growth	None
Cost-of-living adjustments	Hired before 6/30/71 - 4% per year following commencement of benefits. Hired after 6/30/71 -3% per year following commencement of benefits. Earlier of age 55 and 10 years of service or 25 years of service regardless of age. Commencing at the member's eligibility for Early Retirement (age 45).
Retirement Age	See table below.
Early Retirement	See table below.
Termination Rates	<i>Healthy Active Lives:</i> Male: RP2000 Generational, 10% Combined Healthy White Collar/90% Combined Healthy Blue Collar,Scale BB Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB
Disability Rates	<i>Healthy Inactive Lives:</i> Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar,Scale BB Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB
Mortality	<i>Disabled Lives:</i> Male: 60% RP2000 Disabled Male setback 4 years/40% Annuitant White Collar with no setback, no projection scale Female: 60% RP2000 Disabled Female set forward 2 years/40% Annuitant White Collar with no setback, no projection scale
Other Information	Termination and Disability Rate Table

Age	Percent Terminating	Percent Becoming Disabled	Current Salary as a % of Salary at age 55
20	3.0%	0.14%	9.40%
30	2.5%	0.18%	18.40%
40	1.3%	0.30%	36.20%
50	0.5%	1.00%	71.30%

**CITY OF SEBRING, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expenses	9.24%	4.72%	7.12%	10.32%	7.61%	0.35%	7.63%

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

CITY OF SEBRING, FLORIDA
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015
City of Sebring's Proportion of the Net Pension Liability	0.020634843%	0.019911948%	0.188798000%	0.147228000%	0.008164600%	0.008038500%
City of Sebring's Proportionate Share of the Net Pension Liability	\$ 8,943,445	\$ 6,857,200	\$ 5,686,695	\$ 4,354,915	\$ 2,061,574	\$ 1,038,279
City of Sebring's Covered Payroll	\$ 5,446,588	\$ 5,123,628	\$ 5,123,628	\$ 4,372,065	\$ 3,458,477	\$ 3,096,064
City of Sebring's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	164.20%	133.83%	110.99%	99.61%	59.61%	33.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

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

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

**CITY OF SEBRING, FLORIDA
SCHEDULE OF CITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 725,370	\$ 633,113	\$ 551,916	\$ 448,924	\$ 195,367	\$ 195,985
Contributions in Relation to the Contractually Required Contribution	725,370	633,113	551,916	448,924	195,367	195,985
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Employee Payroll	\$ 5,634,213	\$ 5,431,331	\$ 5,146,259	\$ 4,734,451	\$ 3,403,190	\$ 3,105,524
Contributions as a Percentage of Covered Employee Payroll	12.87%	11.66%	10.72%	9.48%	5.74%	6.31%

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

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

CITY OF SEBRING, FLORIDA
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015
City of Sebring's Proportion of the Net Pension Liability	0.015692987%	0.016055584%	0.015687000%	0.013713900%	0.111960000%	0.010205100%
City of Sebring's Proportionate Share of the Net Pension Liability	\$ 1,916,088	\$ 1,796,458	\$ 1,660,326	\$ 1,466,356	\$ 1,304,843	\$ 1,040,764
City of Sebring's Covered Payroll	\$ 5,446,588	\$ 5,123,628	\$ 5,123,628	\$ 4,372,065	\$ 3,458,477	\$ 3,105,524
City of Sebring's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	35.18%	35.06%	32.41%	33.54%	37.73%	33.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

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

**CITY OF SEBRING, FLORIDA
SCHEDULE OF CITY'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 93,595	\$ 90,160	\$ 85,428	\$ 78,596	\$ 56,493	\$ 39,010
Contributions in Relation to the Contractually Required Contribution	93,595	90,160	85,428	78,596	56,493	39,010
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Employee Payroll	\$ 5,634,213	\$ 5,431,331	\$ 5,146,259	\$ 4,734,451	\$ 3,403,190	\$ 3,105,524
Contributions as a Percentage of Covered Employee Payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%

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

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

**CITY OF SEBRING, FLORIDA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 17,789	\$ 13,287	\$ 12,659
Interest on the Total OPEB Liability	28,113	27,979	34,551
Changes in Assumptions	392,736	70,113	-
Benefit Payments	<u>(88,699)</u>	<u>(96,487)</u>	<u>(104,919)</u>
Net Change in Total OPEB Liability	349,939	14,892	(57,709)
Total OPEB Liability - Beginning of Year, as Restated	<u>895,556</u>	<u>880,664</u>	<u>938,373</u>
Total OPEB Liability - End of Year	<u><u>\$ 1,245,495</u></u>	<u><u>\$ 895,556</u></u>	<u><u>\$ 880,664</u></u>
 Covered Employee Payroll	 \$ 6,649,500	 \$ 6,007,527	 \$ 6,007,527
Total OPEB Liability as a Percentage of Covered Employee Payroll	18.73%	14.91%	14.66%

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

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

**CITY OF SEBRING, FLORIDA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS (CONTINUED)
LAST 10 FISCAL YEARS***

Notes to the Schedule

The OPEB plan is not administered through a trust.

Changes of Benefit Terms:

There have been no substantive plan provision changes since the last full valuation.

Changes of Assumptions:

For September 30, 2020, the liability increase is due to changes in the discount rate from 3.10% to 2.26%, plus changes in mortality table and mortality improvement scale assumptions to more current table/scale (table Pub-2010 from RP-2014 and improvement scale MP-2019 from improvement scale AA). This liability increase is partially offset by an update in healthcare cost inflation (trend) rates as compared to the prior valuation. The rate decreased from 9.00% to 7.00%.

**CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2020**

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
ASSETS			
Cash and Cash Equivalents	\$ 884,561	\$ 539,189	\$ 1,423,750
Receivables, Net	152,714	41,422	194,136
Due from Other Funds	253,473	-	253,473
Due from Other Governments	4,526	-	4,526
Total Assets	<u>1,295,274</u>	<u>580,611</u>	<u>1,875,885</u>
LIABILITIES			
Accounts Payable	169,281	28,562	197,843
Accrued Expenses	182,917	-	182,917
Unearned Revenues	6,371	-	6,371
Total Liabilities	<u>358,569</u>	<u>28,562</u>	<u>387,131</u>
NET POSITION			
Unrestricted	<u>\$ 936,705</u>	<u>\$ 552,049</u>	<u>\$ 1,488,754</u>

CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
OPERATING REVENUES			
Charges for Services	\$ 2,305,807	\$ 814,358	\$ 3,120,165
OPERATING EXPENSES			
General and Administrative	72,931	2,575	75,506
Insurance	419,714	746,256	1,165,970
Claims Expense	1,799,311	97,242	1,896,553
Total Operating Expenses	2,291,956	846,073	3,138,029
OPERATING INCOME	13,851	(31,715)	(17,864)
NONOPERATING REVENUES			
Investment Earnings	4,318	9,060	13,378
Insurance Proceeds	-	329,057	329,057
Total Nonoperating Revenues	4,318	338,117	342,435
CHANGE IN NET POSITION	18,169	306,402	324,571
Total Net Position - Beginning of Year	918,536	245,647	1,164,183
TOTAL NET POSITION - END OF YEAR	<u>\$ 936,705</u>	<u>\$ 552,049</u>	<u>\$ 1,488,754</u>

**CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Users	\$ 1,878,291	\$ 772,936	\$ 2,651,227
Cash Received from Insurance	376,670	-	376,670
Cash Payments for Supplies and Claims	(2,454,791)	(827,377)	(3,282,168)
Net Cash Provided (Used) by Operating Activities	(199,830)	(54,441)	(254,271)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Received from Insurance	-	329,057	329,057
Net Cash Provided by Capital and Related Financing Activities	-	329,057	329,057
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	4,318	9,060	13,378
Net Cash Provided by Investing Activities	4,318	9,060	13,378
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(195,512)	283,676	88,164
Cash and Cash Equivalents – Beginning of Year	1,080,073	255,513	1,335,586
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 884,561</u>	<u>\$ 539,189</u>	<u>\$ 1,423,750</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 13,851	\$ (31,715)	\$ (17,864)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Assets:			
Accounts Receivable	207,807	(41,422)	166,385
Due from Other Funds	(253,473)	-	(253,473)
Due from Other Governments	(4,526)	-	(4,526)
Increase (Decrease) in Liabilities:			
Accounts Payable	(191,177)	18,696	(172,481)
Accrued Expenses	28,342	-	28,342
Unearned Revenue	(654)	-	(654)
Net Cash Provided (Used) by Operating Activities	<u>\$ (199,830)</u>	<u>\$ (54,441)</u>	<u>\$ (254,271)</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida (City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 28, 2021.

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) as a basis for designing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Sebring's Response to Findings

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

Purpose of this 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 "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Sebring, Florida (City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 28, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent 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 and schedule, which are dated May 28, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. The recommendation made in the preceding financial audit report related to procurement for the Community Redevelopment Agency (CRA) is addressed in the CRA's separately issued financial statements.

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. See Note 1 to the financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 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 did not have any such recommendations.

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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



CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021

**CITY OF SEBRING, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2020**

2020-001 – Revenue Recognition

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

Condition: In prior years the City did not record certain derived tax revenues in the period that the revenues were earned. As a result, opening fund balances and net position were understated by the amount of revenue that should have been recognized in the prior year.

Criteria or specific requirement: The City's management is responsible for establishing and maintaining internal controls to ensure that transactions are properly recorded and reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). GASB Statement No. 33 outlines revenue recognition for nonexchange transactions.

Context: Testing of account balances identified the errors.

Effect: Prior year balances have been restated to correct the errors in recording derived tax revenue.

Cause: The City previously recorded certain derived tax revenues based on the month the funds were collected by the Florida Department of Revenue rather than the month the revenue was earned.

Recommendation: Management should continue to evaluate revenue transactions to ensure revenue is recognized in accordance with GAAP.

Views of responsible officials and planned corrective actions: City management agrees with the finding and will record funds collected by the Florida Department of Revenue in the month the revenue was earned.



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INDEPENDENT ACCOUNTANTS' REPORT

Honorable Mayor, City Council,
and the Florida Auditor General
City of Sebring, Florida
Sebring, Florida

We have examined the City of Sebring, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the fiscal year ended September 30, 2020. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements 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, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021