



City of Sweetwater, Florida

Basic Financial Statements and Independent Auditor's Report

**For the Fiscal Year Ended
September 30, 2020**



CITY OF SWEETWATER, FLORIDA

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CITY OF SWEETWATER, FLORIDA

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



GARCIA

ESPINOSA

MIYARES

RODRIGUEZ

TRUEBA

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Commission of the
City of Sweetwater, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sweetwater, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Police Officers' Defined Benefit Pension Plan fund, which represent 90 percent, 90 percent, and 67 percent, respectively, of the assets, net position, and revenues of the fiduciary funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City's Police Officers' Defined Benefit Pension Plan, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

GARCIA, ESPINOSA, MIYARES, RODRIGUEZ, TRUEBA & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

2600 Douglas Road, Suite 800 Coral Gables, FL 33134 | P 305 529 5440 | F 305 529 5441 | www.gemrtcpa.com

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sweetwater, Florida, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the budgetary comparison information on pages 43 through 51, and the pension schedules on pages 52 through 53 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 of Sweetwater, Florida's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2021, on our consideration of the City of Sweetwater, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sweetwater, Florida's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "GEMRT & Co, LLP". The signature is written in a cursive, slightly slanted style.

Coral Gables, Florida
August 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MD&A

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2020

As management of the City of Sweetwater, Florida (the "City"), we offer readers of the City of Sweetwater's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended September 30, 2020 and 2019.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the fiscal years ended September 30, 2020 and 2019 by \$39,399,015 and \$36,123,714 (net position), respectively. Of this amount, unrestricted net position, which may be used to meet the ongoing obligations to citizens and creditors, were \$4,534,965 and \$3,559,216, respectively. During the years ended September 30, 2020 and 2019, the City's net position increased by \$3,275,301 and \$7,473,988, respectively. The increase in net position during 2020 was due to increases in operating and capital grants and increases in property tax revenues and franchise and utility taxes. The increase in net position during 2019 was due to increases in impact fees and building permit revenues.

As of the close of the fiscal years ended September 30, 2020 and 2019, the City's governmental funds reported combined ending fund balances of \$12,863,217 and \$12,638,284, an increase of \$224,933 and \$6,275,453 in comparison with the prior year, respectively. The increase in fund balance during 2020 was due to increases in revenues derived from operating and capital grants and various taxes. The increase in fund balance during 2019 was due to increases in revenues derived from impact fees and building permits.

Unassigned fund balance for governmental funds at September 30, 2020 and 2019 was \$6,307,837 and \$7,313,583, respectively, or 30.6% and 39.0% of total general fund expenditures.

The City has set goals to increase reserves to appropriate levels and to continue to improve its financial condition. During fiscal year ended September 30, 2020, the following events continue to, or have, taken place:

- **Dual Purpose Redevelopment and Annexation** – The commission and the administration have continued to take an initiative in developing, implementing and promoting a commercial and residential redevelopment plan that included the annexation of neighboring areas in prior years. The major commercial and industrial developments within the City include Dolphin Mall, Banyan Industrial Park, and Dolphin Commerce Center. This has increased the City's tax base, as well as its commercial activity and its gross municipal product. During September 2020 the City filed an annexation application with the Miami-Dade County Clerk of the Board for an area adjacent to the City comprised of approximately 2 square miles. The Miami-Dade Board of County Commissioners referred the application to the Planning Advisory Board.
- **Drainage Improvement Projects** – The City has completed most of the significant ongoing drainage improvement projects that were predominantly funded by federal, state, and local awards. As of September 30, 2020, an additional drainage project to alleviate flooding in the northern Sweetwater area was ongoing.
- **Financial Conditions** – Management addressed spending needs, as well as areas where expenditures can be reduced and revenues can be increased, when preparing the City's budgets for fiscal years ending September 30, 2020 and 2021. Management has continued to focus on increasing reserves and improve the City's financial conditions. The City has addressed the deteriorating financial conditions by implementing initiatives to reduce and control expenses, increase revenues, and increase reserves. During 2019 and 2018, improvements were made through revenues generated by the City's continued growth in commercial and real estate development, and through the reduction of insurance costs. Other revenues which are enhancing the City's financial position include passport revenues, and fees earned from parking meters, credit card transactions, and sales of money orders. During 2020, as a result of the COVID-19 pandemic the City experienced a reduction in various revenues, specifically red-light camera revenues, police fines, and various taxes. The City was granted additional federal and state funds through operating

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2020

and capital grants and contributions, such as the Coronavirus Relief Fund and other assistance programs, which alleviated the decrease in revenues from other sources.

- Pandemic** – As a result of the COVID-19 pandemic, the fiscal year ended September 30, 2020 was challenging in many ways to the City of Sweetwater. The City experienced reductions in state revenue sharing, sales taxes, fines and forfeitures, red-light camera revenues, and passport revenues. For several months, many businesses closed, including some City departments such as the passport office. The City reduced expenditures across all departments in order not to tap into reserves. The City is at a partial recovery, with retail spending on the rise over the previous several months increasing half-cent sales tax and revenue sharing to list a few. Based on information from the Miami-Dade County Property Appraiser, the City's tax rolls are stable and the market values on home sales have not been adversely affected. Management will continue to evaluate the economic impact on the City and will recommend measures as needed to mitigate any additional effects the pandemic may have on the City.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) and notes to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* were designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

| | <u>Governmental Activities</u> | |
|----------------------------------|--------------------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Current and other assets | \$ 9,608,151 | \$ 11,729,378 |
| Restricted assets | 7,622,379 | 5,822,341 |
| Capital assets | 29,138,506 | 29,591,859 |
| Total assets | <u>\$ 46,369,036</u> | <u>\$ 47,143,578</u> |
| | | |
| Deferred outflows of resources | <u>\$ 3,721,253</u> | <u>\$ 2,518,849</u> |
| | | |
| Long-term liabilities | \$ 5,070,349 | \$ 6,772,213 |
| Other liabilities | 4,367,313 | 4,913,435 |
| Total liabilities | <u>\$ 9,437,662</u> | <u>\$ 11,685,648</u> |
| | | |
| Deferred inflow of resources | <u>\$ 1,253,612</u> | <u>\$ 1,853,065</u> |
| | | |
| Net position | <u>\$ 39,399,015</u> | <u>\$ 36,123,714</u> |
| | | |
| Net investment in capital assets | \$ 28,408,392 | \$ 27,378,516 |
| Restricted | 6,455,658 | 5,185,982 |
| Unrestricted | 4,534,965 | 3,559,216 |
| Total net position | <u>\$ 39,399,015</u> | <u>\$ 36,123,714</u> |

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

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2020

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 7,834,594 | \$ 14,779,680 |
| Operating grants and contributions | 1,546,193 | 1,079,614 |
| Capital grants and contributions | 401,530 | 60,170 |
| General revenues: | | |
| Taxes | 13,896,707 | 11,929,887 |
| Other | 61,468 | 30,175 |
| Total revenues | <u>23,740,492</u> | <u>27,879,526</u> |
| Expenses: | | |
| General government | 8,966,669 | 8,713,642 |
| Public safety | 7,528,827 | 7,673,796 |
| Parks and recreation | 1,704,249 | 1,722,558 |
| Transportation, roads and streets | 771,220 | 797,896 |
| Stormwater and drainage | 1,410,880 | 1,398,213 |
| Interest on long-term debt | 83,346 | 99,433 |
| Total expenses | <u>20,465,191</u> | <u>20,405,538</u> |
| Change in net position | <u>\$ 3,275,301</u> | <u>\$ 7,473,988</u> |

Both of the government-wide financial statements distinguish functions of the City of Sweetwater 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 of Sweetwater include general government, public safety, parks and recreation, roads and streets, transportation and stormwater and drainage. The City of Sweetwater has no business-type activities as of September 30, 2020 and 2019. The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sweetwater, 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 of Sweetwater can be divided into two categories: governmental funds and fiduciary funds.

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

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

The City maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major governmental funds (stormwater and drainage improvement fund, Mildred Claude Pepper center fund, and capital project fund), and the nonmajor governmental funds.

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2020

The City adopts an annual appropriated budget for its general fund some of its special revenue funds. A budgetary comparison statement has been provided for the general fund and stormwater drainage improvement fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary Funds. The City of Sweetwater does not maintain any proprietary funds.

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

The basic fiduciary fund financial statements can be found on pages 15-16 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-42 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Sweetwater, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,399,015 and \$36,123,714 at the close of September 30, 2020 and 2019, respectively.

The largest portion of the City's net position reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, they are not available for future spending.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of September 30, 2020 and 2019, the City of Sweetwater is able to report positive balances in all categories of net position. The City's net position increased by \$3,275,301 and \$7,473,988 during the fiscal years ended in September 30, 2020 and 2019, respectively.

Governmental Activities. Governmental activities increased the net position of the City of Sweetwater by \$3,275,301 and \$7,473,988, thereby accounting for a 9.1% increase and 26.1% increase in the governmental activities net position in 2020 and 2019, respectively. During 2020, the increase was attributed to increases in property tax revenues, and an inflow of ½ cent tax fund revenues which were withheld from previous years. During 2019, the increase was attributed to increases in impact fees, building permit revenues, and parking fees.

Business-Type Activities. There were no business-type activities during the fiscal years ended September 30, 2020 and 2019.

Financial Analysis of the City's Governmental Funds

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, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2020

As of the end of the fiscal years ended September 30, 2020 and 2019, the City's *governmental funds* reported combined ending fund balances of \$12,863,217 and \$12,638,284, an increase of \$224,933 and \$6,275,453 in comparison with the prior year, respectively. As of September 30, 2020 and 2019, approximately 35.8% and 57.9% of this total amount, or \$6,307,837 and \$7,313,583, respectively, constitutes *unassigned fund balance*, which is available for spending at the City's discretion at the end of each year, respectively. The remainder of fund balance is *non-spendable, restricted, committed, or assigned* to indicate it is not available for new spending because it has already been restricted or committed for a variety of reasons, such as by external sources (debt covenants, grantors, laws or regulations, etc.) or the City Commission, or assigned for specific projects, retirement and other contingencies.

The general fund is the chief operating fund of the City. At the end of the fiscal years ended September 30, 2020 and 2019, unassigned fund balance of the general fund in the fund financial statements was \$7,374,173 and \$8,482,255, respectively. 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 35.8% and 45.3% of total general fund expenditures at the end of each year, respectively.

The fund balance of the City of Sweetwater's general fund in the fund financial statements decreased by \$1,368,633 and increased by \$4,476,691 during the fiscal years ended September 30, 2020 and 2019, respectively.

Proprietary Funds. The City of Sweetwater does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets - The City's capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2020 and 2019 amounted to \$29,138,506 and \$29,591,859, respectively, and consist of land, construction in progress, buildings, building and land improvements, machinery and equipment, automobiles and trucks, and infrastructure. A more detailed schedule can be found on page 30 of the notes to the financial statements.

Debt - Excluding compensated absences and net pension liability, the City's debt totaled approximately \$730 thousand and \$2.21 million at September 30, 2020 and 2019, respectively. The decrease during 2020 is attributable to the loan payoff, amounting to approximately \$1.2 million, of a Capital Improvement Revenue Note. A detailed schedule of outstanding debt as of September 30, 2020 can be found on page 33 of the notes to the financial statements.

Budget Amendments

The City Commission may authorize changes and transfers between departmental budgets as long as no appropriations are required from unassigned fund balances or unrestricted net position. During the year ended September 30, 2020, there were no budget revisions or amendments.

During fiscal year ended September 30, 2020, all expenditures in the general fund were within budgeted amounts at the department level, except for the executive and legislative department and debt service. The excess expenditures in the executive and legislative department were due to pension contributions made to the elected officials retirement trust fund in the form of catch-up contributions for underfunded amounts. The contributions were approved and paid out of fund balance reserves. The excess debt service expenditures were due to the loan payoff of a capital improvement revenue note in advance of the maturity date. Over-expenditures of interest were simply due to reclassification of capital outlay and debt service expenditures and related adjustments for financial

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2020

statement purposes. Other line item over-expenditures were predominantly due to miscellaneous costs being higher than anticipated. In the stormwater drainage improvement fund, the capital outlay expenditures exceeded appropriations. The over-expenditures were approved by the Commission for purposes of improving the capabilities of the City's public works department, and were funded from the stormwater drainage improvement fund balance.

During fiscal year ended September 30, 2019, all expenditures in the general fund were within budgeted amounts at the department level, but there were a few line item expenditures that exceeded their budget appropriations for the fiscal year. These expenditures were appropriately budgeted, as the over-expenditures at the line item level were simply due to reclassification of capital outlay and debt service expenditures and related adjustments for financial statement purposes. Other minor over-expenditures were predominantly due to miscellaneous costs being slightly higher than anticipated, which were appropriately covered by budgeted contingency amounts. In the stormwater drainage improvement fund, there were no expenditures over appropriations.

General Fund Budgetary Highlights

- Overall revenues were lower than amounts budgeted primarily due to revenues from licenses, permits, and fees being lower than budgeted for fiscal year ended September 30, 2020. A fund balance appropriation was not budgeted, but fund balance reserves were utilized to cover expenditures as revenues were not sufficient to cover expenditures.
- Total general fund expenditures were lower than amounts budgeted. Expenditures were lower than originally budgeted primarily as a result of cost savings; and expenditures, such as for insurance, professional fees, and utilities being less than anticipated.
- Ad Valorem taxes are, by law, projected at a 95% rate of actual anticipated revenue to provide an allowance for uncollected taxes; however, the City frequently collects 100% of the budgeted amount.

Economic Factors and Next Year's Budgets and Rates

The City of Sweetwater's main source of revenues are obtained from a combination of tax receipts from ad-valorem property taxes, state revenue sharing and other taxes, franchise fees, and licenses, permits and fees. The budget for fiscal year ending September 30, 2021 is based on the City's best expectations of revenues from these sources and other smaller sources, and expenditures are based on historical data and known increases or decreases for the 2021 fiscal year. The City is expecting that continued commercial and real estate development will increase revenues.

At September 30, 2020 the unemployment rate for South Florida was approximately 9.7 percent, which is an increase from a rate of 3.0 percent a year ago. This compares unfavorably to the state's average unemployment rate of 7.6 percent and unfavorably to the national average rate of 7.8 percent. The significant increase in the unemployment rate for South Florida was a direct result of COVID-19.

Requests for Information

This financial report is designed to provide a general overview of the City of Sweetwater'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 the Finance Director, City of Sweetwater, 500 SW 109th Avenue, Sweetwater, FL, 33174.

BASIC FINANCIAL STATEMENTS

City of Sweetwater, Florida
Statement of Net Position
September 30, 2020

| | Governmental Activities |
|--|------------------------------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 7,910,455 |
| Receivables | 1,597,974 |
| Prepaid items | 99,722 |
| Restricted assets: | |
| Cash and cash equivalents | 7,622,379 |
| Capital assets not being depreciated: | |
| Land | 804,867 |
| Construction in progress | 374,846 |
| Capital assets, net of accumulated depreciation | 27,958,793 |
| Total assets | \$ 46,369,036 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Pensions | \$ 3,721,253 |
| Total deferred outflows of resources | \$ 3,721,253 |
| <u>LIABILITIES</u> | |
| Accounts payable and accrued liabilities | \$ 1,767,860 |
| Unearned revenue | 2,557,719 |
| Deposits payable | 41,734 |
| Non-current liabilities: | |
| Due within one year | 625,256 |
| Due in more than one year | 4,445,093 |
| Total liabilities | \$ 9,437,662 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Pensions | \$ 1,253,612 |
| Total deferred inflows of resources | \$ 1,253,612 |
| <u>NET POSITION</u> | |
| Net investment in capital assets | \$ 28,408,392 |
| Restricted for: | |
| Stormwater | 558,511 |
| Capital improvements | 533,214 |
| Transportation, roads and streets | 2,445,240 |
| Parks and recreation | 2,745,532 |
| Public safety initiatives | 173,161 |
| Unrestricted | 4,534,965 |
| Total net position | \$ 39,399,015 |

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

City of Sweetwater, Florida
Statement of Activities
For the Year Ended September 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|----------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| General government | \$ 8,966,669 | \$ 4,699,110 | \$ 728,456 | \$ 25,000 | \$ (3,514,103) |
| Public safety | 7,528,827 | 1,889,462 | 17,599 | - | (5,621,766) |
| Parks and recreation | 1,704,249 | 34,905 | 800,138 | - | (869,206) |
| Roads and streets | 425,184 | - | - | - | (425,184) |
| Transportation | 346,036 | 258,556 | - | - | (87,480) |
| Stormwater and drainage | 1,410,880 | 952,561 | - | 376,530 | (81,789) |
| Interest on long-term debt | 83,346 | - | - | - | (83,346) |
| Total governmental activities | \$ 20,465,191 | \$ 7,834,594 | \$ 1,546,193 | \$ 401,530 | \$ (10,682,874) |
| General revenues: | | | | | |
| Property taxes | | | | | \$ 7,044,994 |
| Franchise and utility taxes | | | | | 2,082,023 |
| Communication service tax | | | | | 344,010 |
| Revenue sharing and other taxes | | | | | 4,425,680 |
| Interest earnings and investment income | | | | | 61,468 |
| | | | | | <u>13,958,175</u> |
| Change in net position | | | | | 3,275,301 |
| Net position - beginning | | | | | <u>36,123,714</u> |
| Net position - ending | | | | | <u>\$ 39,399,015</u> |

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

City of Sweetwater, Florida

Balance Sheet

Governmental Funds

September 30, 2020

| | Major Funds | | | | | Total Governmental Funds |
|---------------------------------------|----------------------|---|---|----------------------------|-----------------------------------|--------------------------------|
| | General Fund | Stormwater and Drainage Improvement Fund | Mildred Claude Pepper Center Fund | Capital Project Fund | Nonmajor Governmental Funds | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 7,910,455 | \$ - | \$ - | \$ - | \$ - | \$ 7,910,455 |
| Cash - restricted | 32,963 | 1,104,266 | - | 4,314,687 | 2,170,463 | 7,622,379 |
| Receivables | 809,473 | 227,941 | 78,350 | 20,441 | 461,769 | 1,597,974 |
| Prepaid items | 99,722 | - | - | - | - | 99,722 |
| Due from other funds | 2,580,788 | - | - | - | 88,801 | 2,669,589 |
| Total Assets | <u>\$ 11,433,401</u> | <u>\$ 1,332,207</u> | <u>\$ 78,350</u> | <u>\$ 4,335,128</u> | <u>\$ 2,721,033</u> | <u>\$ 19,900,119</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable and accrued expenses | \$ 1,278,977 | \$ 15,604 | \$ 48,352 | \$ - | \$ 424,927 | \$ 1,767,860 |
| Due to other funds | 88,726 | 958,459 | 1,088,684 | - | 533,720 | 2,669,589 |
| Deposits | 41,734 | - | - | - | - | 41,734 |
| Unearned revenue | 2,550,069 | - | 7,650 | - | - | 2,557,719 |
| Total Liabilities | <u>3,959,506</u> | <u>974,063</u> | <u>1,144,686</u> | <u>-</u> | <u>958,647</u> | <u>7,036,902</u> |
| Fund Balances | | | | | | |
| Nonspendable | | | | | | |
| Prepaid items | 99,722 | - | - | - | - | 99,722 |
| Restricted | | | | | | |
| Stormwater and drainage improvements | - | 358,144 | - | - | 200,367 | 558,511 |
| Public safety initiatives | - | - | - | 12,374 | 160,787 | 173,161 |
| Capital projects | - | - | - | 533,214 | - | 533,214 |
| Parks and recreation | - | - | - | 2,740,381 | 5,151 | 2,745,532 |
| Transportation, roads and streets | - | - | - | 1,049,159 | 1,396,081 | 2,445,240 |
| Unassigned | | | | | | |
| General fund | 7,374,173 | - | - | - | - | 7,374,173 |
| Special revenue funds | - | - | (1,066,336) | - | - | (1,066,336) |
| Total Fund Balances | <u>7,473,895</u> | <u>358,144</u> | <u>(1,066,336)</u> | <u>4,335,128</u> | <u>1,762,386</u> | <u>12,863,217</u> |
| Total Liabilities and Fund Balances | <u>\$ 11,433,401</u> | <u>\$ 1,332,207</u> | <u>\$ 78,350</u> | <u>\$ 4,335,128</u> | <u>\$ 2,721,033</u> | |

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

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 29,138,506 |
| Deferred outflows related to pensions | 3,721,253 |
| Deferred inflows related to pensions | (1,253,612) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | (5,070,349) |
| Net position of governmental activities | <u>\$ 39,399,015</u> |

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

City of Sweetwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

| | Major Funds | | | | | Total Governmental Funds |
|---|-----------------------|---|--|-------------------------------------|--|---|
| | General Fund | Stormwater and Drainage Improvement Fund | Mildred Claude Pepper Center Fund | Capital Project Fund | Nonmajor Governmental Funds | |
| Revenues | | | | | | |
| Taxes | \$ 7,738,303 | \$ - | \$ - | \$ - | \$ 1,850,267 | \$ 9,588,570 |
| Revenue sharing | 2,226,114 | - | - | - | - | 2,226,114 |
| Franchise fees | 1,167,331 | - | - | - | - | 1,167,331 |
| Licenses, permits, and fees | 4,277,967 | 952,561 | - | 152,626 | - | 5,383,154 |
| Fines, forfeitures, and donations | 1,879,227 | - | - | - | 66,520 | 1,945,747 |
| Utility service taxes | 914,692 | - | - | - | - | 914,692 |
| Grants/contributions | 708,015 | - | 798,040 | 45,441 | 394,129 | 1,945,625 |
| Investment income | 33,328 | 2,183 | - | 21,252 | 4,705 | 61,468 |
| Management fees | 67,762 | - | - | - | - | 67,762 |
| Rental income and other miscellaneous | 429,916 | - | - | - | 10,113 | 440,029 |
| Total Revenues | <u>19,442,655</u> | <u>954,744</u> | <u>798,040</u> | <u>219,319</u> | <u>2,325,734</u> | <u>23,740,492</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Administrative | 3,116,135 | - | - | - | - | 3,116,135 |
| Public safety | 7,561,500 | - | - | 625 | 36,381 | 7,598,506 |
| Parks and recreation | 569,194 | - | 1,012,499 | - | 754 | 1,582,447 |
| Transportation | - | - | - | - | 271,004 | 271,004 |
| Stormwater and drainage | - | 800,662 | - | - | - | 800,662 |
| Maintenance | 2,899,422 | - | - | - | - | 2,899,422 |
| School guards | 17,919 | - | - | - | - | 17,919 |
| Building, zoning, planning, roads and code enforcement | 1,720,161 | - | - | - | - | 1,720,161 |
| Executive and legislative | 2,599,399 | - | - | - | - | 2,599,399 |
| Capital Outlay | 573,479 | 283,977 | - | 55,404 | 430,469 | 1,343,329 |
| Debt Service | | | | | | |
| Principal retirement | 1,456,774 | 26,455 | - | - | - | 1,483,229 |
| Interest | 72,601 | 10,745 | - | - | - | 83,346 |
| Total Expenditures | <u>\$ 20,586,584</u> | <u>\$ 1,121,839</u> | <u>\$ 1,012,499</u> | <u>\$ 56,029</u> | <u>\$ 738,608</u> | <u>\$ 23,515,559</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ (1,143,929)</u> | <u>\$ (167,095)</u> | <u>\$ (214,459)</u> | <u>\$ 163,290</u> | <u>\$ 1,587,126</u> | <u>\$ 224,933</u> |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in (out) | <u>(224,704)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>224,704</u> | <u>-</u> |
| Net Change in Fund Balances | <u>\$ (1,368,633)</u> | <u>\$ (167,095)</u> | <u>\$ (214,459)</u> | <u>\$ 163,290</u> | <u>\$ 1,811,830</u> | <u>\$ 224,933</u> |
| Fund Balances - October 1, 2019 | <u>8,842,528</u> | <u>525,239</u> | <u>(851,877)</u> | <u>4,171,838</u> | <u>(49,444)</u> | <u>12,638,284</u> |
| Fund Balances - September 30, 2020 | <u>\$ 7,473,895</u> | <u>\$ 358,144</u> | <u>\$ (1,066,336)</u> | <u>\$ 4,335,128</u> | <u>\$ 1,762,386</u> | <u>\$ 12,863,217</u> |

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

City of Sweetwater, Florida

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020

Net change in fund balances - total governmental funds (Page 13) **\$ 224,933**

Amounts reported for governmental activities in the statement of activities (page 11)
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

The details of the difference are as follows:

| | | |
|----------------------------|-------------|-----------|
| Capital outlay capitalized | 1,343,329 | |
| Depreciation expense | (1,796,682) | |
| | | (453,353) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sale and disposal, donations)

-

Loan proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

The details of the differences are as follows:

| | | |
|--------------------|-----------|-----------|
| Principal payments | 1,483,229 | |
| | | 1,483,229 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The detail of the differences are as follows:

| | | |
|--|-----------|-----------|
| Change in long-term compensated absences | (127,360) | |
| Net pension liability | 2,147,852 | |
| | | 2,020,492 |

Change in net position of governmental activities (Page 11) **\$ 3,275,301**

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

City of Sweetwater, Florida
Statement of Fiduciary Funds Net Position
Fiduciary Funds
September 30, 2020

| | Pension Trust Funds | | Total |
|---|---|--|----------------------|
| | Defined Benefit Plan Police Officers | Elected Officials' Retirement Trust | |
| Assets | | | |
| Cash and cash equivalents - restricted | \$ 203,204 | \$ 798,633 | \$ 1,001,837 |
| Investments - restricted | 15,091,925 | 982,591 | 16,074,516 |
| Contribution receivable: | | | |
| Member | 17,283 | - | 17,283 |
| Employer | 90,878 | - | 90,878 |
| Accrued investment income | 1,374 | - | 1,374 |
| Total Assets | \$ 15,404,664 | \$ 1,781,224 | \$ 17,185,888 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 55,227 | \$ 38,235 | \$ 93,462 |
| Total Liabilities | 55,227 | 38,235 | 93,462 |
| Net Position | | | |
| Held in trust for pension benefits | 15,349,437 | 1,742,989 | 17,092,426 |
| Total Liabilities and Net Position | \$ 15,404,664 | \$ 1,781,224 | \$ 17,185,888 |

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

City of Sweetwater, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2020

| | Pension Trust Funds | | Total |
|---|---|--|----------------------|
| | Defined Benefit Plan Police Officers | Elected Officials' Retirement Trust | |
| Additions: | | | |
| Contributions: | | | |
| Member | \$ 203,934 | \$ - | \$ 203,934 |
| Employer | 1,084,953 | 1,462,019 | 2,546,972 |
| Total Contributions | <u>1,288,887</u> | <u>1,462,019</u> | <u>2,750,906</u> |
| Investment income (loss) | 1,740,186 | 4,917 | 1,745,103 |
| Total Additions | <u>3,029,073</u> | <u>1,466,936</u> | <u>4,496,009</u> |
| Deductions: | | | |
| Benefits paid | 663,138 | 1,154,707 | 1,817,845 |
| Administrative expenses | 68,199 | 2,433 | 70,632 |
| Professional fees | 73,073 | - | 73,073 |
| Total Deductions | <u>804,410</u> | <u>1,157,140</u> | <u>1,961,550</u> |
| Change in Net Position | 2,224,663 | 309,796 | 2,534,459 |
| Net Position Held in Trust for Pension Benefits: | | | |
| October 1, 2019 | <u>13,124,774</u> | <u>1,433,193</u> | <u>14,557,967</u> |
| September 30, 2020 | <u>\$ 15,349,437</u> | <u>\$ 1,742,989</u> | <u>\$ 17,092,426</u> |

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part I. Summary of Significant Accounting Policies

The City of Sweetwater, Florida (the “City”) was created by a special act of the Florida legislature, under the general laws of the State of Florida for incorporation of municipal corporations, without a city charter on October 10, 1941, and was later validated by Chapter 26469 of the Laws of Florida in 1949. The City is governed by an elected body consisting of seven commissioners and a “strong” Mayor. In the “strong” Mayor form of government, the Mayor is the City’s Chief Administrator and does not vote in Commission meetings.

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

1. Reporting Entity

In accordance with GASB pronouncements, the City’s financial statements include all funds, departments, agencies, boards, and other organizations over which City officials are considered to be financially accountable.

Financial accountability is defined as appointment of a component unit’s governing body members, and either the ability to impose its will on the component unit or the fact that the component unit will provide a financial benefit or impose a financial burden on the City.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board. Based upon the application of these criteria, the City has included in its reporting all funds, account groups, agencies, boards, commissions and authorities considered potential component units.

Component Units

The Police Officer’s Defined Benefit Pension Plan (“DBPP”) was established through the adoption of Ordinance No. 1969. The Plan is a single employer defined benefit plan and falls under the requirements of Florida Statutes Chapter 185, Municipal Police Officers Retirement Trust Funds. The Plan is controlled by a board of Trustees independent of the City. The City Commission appoints a voting majority of the DBPP board; however, the component unit was created for the exclusive benefit of the City of Sweetwater’s Police Officers. The City and participants are obligated to fund all costs based upon actuarial valuations. The City is authorized to establish benefit levels and to approve actuarial assumptions used in the determination of contribution levels. The DBPP is presented in the City’s financial statements as Pension Trust Funds. Complete financial statements may be obtained at the City Clerk’s office.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part I. Summary of Significant Accounting Policies - (continued)

2. Government-Wide and Fund Financial Statements - (continued)

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

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

3. Basis of Presentation and Measurement Focus

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred as required by accrual accounting, except for debt service expenditures, compensated absences and certain claims, which are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues susceptible to accrual, such as property taxes, franchise taxes, licenses, interest revenue and charges for services, have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Sweetwater's Police Officers' Defined Benefit Pension Plan financial statements are prepared using the *accrual basis of accounting*. Employee and employer contributions are recognized as additions in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part I. Summary of Significant Accounting Policies - (continued)

3. Basis of Presentation and Measurement Focus - (continued)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The City reports the following major *governmental* funds:

The ***general fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***stormwater and drainage improvement fund*** is one of the City's special revenue funds. This fund accounts for stormwater utility operations and the maintenance of the stormwater system.

The ***Mildred Claude Pepper center fund*** is one of the City's special revenue funds. This fund accounts for the transactions of the City's community center. The community center provides meals, activities and other social services to the elderly.

The ***capital project fund*** accounts for fees and other revenues for the purpose of various construction, development, and improvements projects.

Additionally, the government reports the following *fiduciary* funds:

The ***defined benefit police officers' plan*** accounts for the activities of the City's Police Officers' Defined Benefit Pension Plan, a blended component unit of the government, which accumulates resources for pension benefit payments to qualified police officers.

The ***elected officials' retirement trust*** accounts for the activities that accumulate resources for pension benefit payments to qualified elected officials.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

The City has no proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of a City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part I. Summary of Significant Accounting Policies - (continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

A. Deposits and Investments

Cash and cash equivalents are considered to be cash and short-term investments with original maturities of three months or less when purchased. The City's cash and cash equivalents include cash on hand and in banks. All investments of the City are recorded at fair value.

B. Receivables and Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, balances of interfund amounts receivable or payable have been reflected. As the City does not have any lending/borrowing arrangements between funds, all outstanding balances between funds are reported as "due to/from other funds". All amounts receivable from or payable to other funds are to be settled with expendable, available financial resources. Transactions which are recurring annual transfers between two or more funds are recorded as transfers in and out. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables and property tax receivables are considered fully collectible; consequently, no allowance for doubtful accounts was estimated.

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10.0 mils. The tax rate to finance general governmental services for the fiscal year ended September 30, 2020 was \$3.9948 per \$1,000 of assessed taxable property value.

The tax levy of the City is established by the City Council prior to October 1 each year, and the County Property Appraiser incorporates the millage into the total tax levy, which includes Miami-Dade County, Miami-Dade County School Board and special taxing districts. All property is reassessed according to its fair market value as of January 1 each year, at which time taxes become an enforceable lien on property. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. State of Florida Amendment #10 to the Florida Constitution known as "Save our Homes" limits assessment increases on homestead property to the lesser of 3% or the Consumer Price Index.

All real and tangible personal property taxes are due and payable on November 1 each year or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of the taxes due and Miami-Dade County also collects the taxes for the City. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part I. Summary of Significant Accounting Policies - (continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (continued)

unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes are assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of Florida. State law provides for enforcement of collection of personal property taxes by seizure of the property or by the sale of the property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

C. Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because they are retained in separate bank accounts and their use is limited by applicable loan covenants or restricted for specific uses through grant agreements.

D. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. drainage, stormwater and road improvements and other similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities), the government had less than \$10 million dollars in revenues and in accordance with GAAP, elected not to report infrastructure assets retroactively. Consequently, the City decided not to calculate the major general infrastructure assets acquired, reconstructed or improved in the fiscal years after June 30, 1980. The City has maintained records of and reported selected infrastructure improvements and construction in progress related to FEMA and other grants since the inception of those projects in 1999. The City has recorded the drainage and stormwater improvements it has incurred at historical cost.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, amounts are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|--|--------------|
| Buildings | 40 |
| Building and land improvements | 7-20 |
| Machinery and equipment | 5-10 |
| Automobiles and trucks | 5-10 |
| Infrastructure – drainage, stormwater and road improvements | 25-40 |

The purchase and construction of capital assets are reflected as expenditures in governmental funds.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part I. Summary of Significant Accounting Policies - (continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (continued)

E. Compensated Absences and Workmen's Compensation Claims

The City's vacation and sick leave policies grant a specific number of days of vacation and sick leave with pay. In some instances, these policies also provide for paying an employee for accumulated, unused leave upon termination. The City also has workmen's compensation liability insurance with Miami-Dade County. All vacation pay and workmen's compensation claims are accrued when incurred in the government-wide statements and reported as a fund liability. Any compensation time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the applicable governmental fund.

F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Loan issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and are amortized over the life of the loans. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Payments of principal and interest are reported as debt service expenditures.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet/statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance/net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to pension benefits in this category in the statement of net position.

The deferred outflows of pensions arise from differences between projected and actual earnings on pension plan investments and are amortized to pension expense using a systematic and rational method over a closed five-year period, and also include differences between expected and actual experience with regard to economic or demographic factors that are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans. Employer contributions to the pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the balance sheet/statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to pensions in this category in the statement of net position.

Deferred inflows on pensions are recorded when investment return on pension plan assets exceeds actuarial assumptions and are amortized using a systematic and rational method over a closed five-year period. Deferred inflows of pensions also include the difference between expected and actual experience with regard to economic or demographic factors and changes of assumptions or other inputs. These are

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part I. Summary of Significant Accounting Policies - (continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (continued)

amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans.

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflow of resources and (b) liabilities and deferred inflows of resources.

H. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are to be used, it is the City's policy to use the committed amounts first, followed by assigned and unassigned amounts.

The non-spendable fund balance classification includes amounts not spendable in form, such as inventories or prepaid amounts.

The restricted fund balance classification includes amounts with constraints imposed by external sources such as debt covenants, grantors, contributors, laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The committed fund balance classification includes amounts limited to specific purposes by formal action imposed by the City Commission. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation remains in place until a similar action is taken to remove or revise the limitation.

The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Commission and Finance Director are authorized to assign fund balance. All remaining governmental fund balances, except negative fund balances, which are reported in special revenue funds that are not classified as non-spendable, restricted, or committed, are assigned.

The unassigned fund balance classification includes general fund positive fund balances that are not otherwise classified. The general fund is the only fund that reports a positive unassigned fund balance.

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results could differ from those estimates.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part I. Summary of Significant Accounting Policies - (continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (continued)

J. New Pronouncements

The City implemented GASB Statement No.88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88). This statement improves consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and provides financial statement users with additional essential information about debt. The statement requires that additional information related to debt be disclosed in notes to financial statements, including lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default and termination events with financial-related consequences, and significant acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The City implemented GASB 88 and the adoption resulted in additional disclosures to the financial statement notes.

Part II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of this \$29,138,506 difference are as follows:

| | | |
|--|----|---------------|
| Land | \$ | 804,867 |
| Buildings | | 4,765,408 |
| Building and land improvements | | 2,918,301 |
| Machinery and equipment | | 3,170,461 |
| Automobiles and trucks | | 4,547,549 |
| Infrastructure - drainage, stormwater and road improvements | | 31,452,380 |
| Construction in progress | | 374,846 |
| | | 48,033,812 |
| Less: accumulated depreciation | | 18,895,306 |
| | | \$ 29,138,506 |

Another element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,070,349, difference are as follows:

| | | |
|---|----|--------------|
| Capital Improvement and Acquisition Notes | \$ | 271,617 |
| Equipment Loan | | 157,074 |
| Capital Leases | | 301,423 |
| Compensated Absences | | 1,338,667 |
| Net Pension Liability | | 3,001,568 |
| Total Long-Term Debt | | \$ 5,070,349 |

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part II. Reconciliation of Government-Wide and Fund Financial Statements - (continued)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position - (continued)

Other elements of the reconciliation are amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions. The details of those amounts are included in Note IV-I.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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. Another element that requires reconciliation is the loan proceeds received and principal payment of long-term liabilities, including notes payable, compensated absences and pensions, which are in part an increase or reduction of long-term liabilities in the government-wide financial statements, and not a use of financing resources in the current period. The details of these \$3,050,368 differences are in page 14 of the financial statements.

Part III. Stewardship, Compliance, and Accountability

A. Budgetary Information

A legally adopted budget is prepared for the General Fund and some of the Special Revenue Funds on a basis consistent with GAAP, with the exception of encumbered items, and is controlled on a line item basis. The Capital Project Fund and Mildred Claude Pepper Center Fund adopted a project-length budget and non-appropriated budgets are adopted for some of the Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

B. Excess of Expenditures over Appropriations

As of September 30, 2020, the City had various line item expenditures that exceeded appropriations, but total expenditures were within budgeted amounts at the department level, except for the executive and legislative department and for debt service. The excess expenditures in the executive and legislative department in the amount of \$409,224 were due to pension contributions made to the elected officials retirement trust fund in the form of catch-up contributions for underfunded amounts. The contributions were approved and paid out of fund balance reserves. The excess debt service expenditures in the amount of \$1,298,677 were due to the loan payoff of a capital improvement revenue note in advance of the maturity date, and due to reclassification of expenditures for financial statement purposes. Over-expenditures of interest were simply due to reclassification of capital outlay and debt service expenditures and related adjustments for financial statement purposes. Other line item over-expenditures were predominantly due to miscellaneous costs being higher than anticipated. In the stormwater drainage improvement fund, the capital outlay expenditures exceeded appropriations by \$268,977. The over-expenditures were approved by the Commission for purposes of improving the capabilities of the City’s public works department, and were funded from the stormwater drainage improvement fund balance.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part III. Stewardship, Compliance, and Accountability - (continued)

C. Deficit Fund Equity

The City's Mildred Claude Pepper Center Fund is reporting a deficit in fund balance which was caused by a reduction of grant revenues in prior years and expenditures for services exceeding revenues. The deficit will be recovered through grant funding or will be transferred in from the General Fund over the next several years.

Part IV. Detailed Notes on All Funds

A. Deposits and Investments

GAAP are designed to inform financial statement users about deposit and investment risk that could affect a government's ability to provide services and meet its obligations as they become due. Current disclosure requirements address common deposit and investment risk related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and require that deposit and investment policies related to the risk be disclosed, as applicable. The following summarizes the City's required disclosures for deposits and investments.

The City maintains a cash management pool for its operating cash and cash equivalents in which each fund and/or account of a fund participates on a dollar equivalent and daily transaction basis.

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository. The Treasurer, by rule, shall establish minimum required collateral pledging levels and shall notify each qualified public depository of its required pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon any one or any combination of the formulas allowable under this chapter. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized. The City's total deposits in all funds include cash with a reported amount of \$16,534,671 and a bank balance of \$17,038,768. The difference between the City's reported amount and the bank balance is due to outstanding checks and deposits in transit in these demand accounts.

Restricted Cash

The City maintains separate bank accounts for certain special revenue funds, the capital project fund, and pension trust funds. The use of these funds is restricted to specific projects or expenditures. Total restricted cash amounted to \$8,624,216; of which \$1,104,266 were funds designated for stormwater and drainage improvements, \$57,586 were restricted for capital projects, \$161,336 were restricted for various grant related projects, \$241,636 were federal and local forfeiture funds whose use is restricted to law enforcement related activities and expenditures, \$4,257,101 were impact fees whose use is restricted for capital improvements, \$1,767,491 is restricted for transportation, and \$32,963 for various other restrictions. Cash restricted for pension plan benefits amounted to \$1,001,837.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

A. Deposits and Investments - (continued)

Investments

The City has adopted an ordinance designating the investments which are allowable of its cash management activities. The authorized investments include US obligations, fully insured or collateralized certificates of deposit, Security Exchange Commission ("SEC") registered money market funds, certain mutual funds registered with the SEC and the Local Government Surplus Trust Fund (administered by the State of Florida Board of Administration). The investments follow the investment rules defined in Florida Statutes Chapter 215.

The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

Investments in the Pension Trust Funds consist of investments in various mutual funds, fixed income securities, equity securities, and foreign equity funds made by the City in a fiduciary capacity for the Elected Officials' Retirement Trust and investments managed by Bowen, Hanes & Company for the City of Sweetwater's Police Officers' Defined Benefit Plan (See Note IV-I). Investments in the pension funds are reported at fair value as determined by the Trustees using standard industry practices.

Credit risk and concentration of credit risk

It is the City's policy to diversify its investment portfolio. The investments are to be chosen in a manner that promotes diversity of market sector and maturity. Invested funds are diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. However, the City's investment policy places no limit on the amount the City may invest in any one issuer. The choice of high-grade government investments and high-grade money market instruments is designed to ensure the marketability of those investments should liquidity needs arise. Concentration of credit risk disclosures exclude investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, investments in external investment pools and investments in other pooled investments.

Interest Rate Risk

The City (not including fiduciary fund investments) purchases investments with maturities of less than or equal to six months in length. This policy reduces the City's exposure to fluctuations in interest rates over the life of the investments. Also, it is the City's policy to hold investments to maturity.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

A. Deposits and Investments - (continued)

At year end, the City's investment balances were as follows:

| | Market Value | Weighted Average Maturities in Years | Credit Risk |
|----------------------------------|----------------------|---|---------------------------------|
| Fiduciary Fund Investments | | | |
| Fixed Income | | | |
| Mutual Funds | \$ 4,675,319 | See below | Aaa/Aa/A/Bbb/Bb/Unrated |
| Corporate Bonds | 127,735 | See below | Aaa/Aa+/Aa/Aa-/A+/A/A-/Bbb+/Bbb |
| Municipal Bonds | 20,239 | See below | Aa+/Aa- |
| U.S. Treasuries | 23,251 | See below | Aaa |
| Asset Backed Securities | 94,941 | See below | Unrated |
| Equities | 10,359,636 | N/A | N/A |
| Foreign Equity Funds | 514,138 | N/A | N/A |
| Annuities | | | |
| TransAmerica Life Insurance Co. | 259,257 | 21.31 | A+/A1/A |
| Total Fiduciary Fund Investments | <u>16,074,516</u> | | |
| Total Investments | <u>\$ 16,074,516</u> | | |

The information as to the weighted average maturity of its fixed income investments are as follows:

| Investment Type | Total Fair Value | Less than 1 year | 1 - 5 years | 6 - 10 years | More than 10 years |
|---------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| Fixed Income Mutual Funds | \$ 4,675,319 | \$ 203,699 | \$ 1,683,758 | \$ 1,784,968 | \$ 1,002,894 |
| Corporate Bonds | 127,735 | - | 63,624 | 57,019 | 7,092 |
| Municipal Bonds | 20,239 | - | - | 11,491 | 8,748 |
| U.S. Treasuries | 23,251 | - | 8,323 | 14,928 | - |
| Asset Backed Securities | 94,941 | - | - | 3,595 | 91,346 |
| Totals | <u>\$ 4,941,485</u> | <u>\$ 203,699</u> | <u>\$ 1,755,705</u> | <u>\$ 1,872,001</u> | <u>\$ 1,110,080</u> |

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The City of Sweetwater's Police Officers' Defined Benefit Plan's (the "Plan") exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns participation in international equity funds but does not own any foreign individual securities. The investment policy limits the foreign investments to no more than 20% of the Plan's investment balance. As of September 30, 2020, the foreign investments were 3.36% of total Plan investments.

B. Fair Value Measurements

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

B. Fair Value Measurements - (continued)

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

| Security Type | Fair Value | Fair Value Measurements Using | | |
|--|----------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Equity securities | | | | |
| Common stocks | \$ 10,359,636 | \$ 10,359,636 | \$ - | \$ - |
| Foreign equities | 514,138 | 514,138 | - | - |
| Total equity securities | 10,873,774 | 10,873,774 | - | - |
| Debt securities | | | | |
| Fixed income mutual funds | 4,675,319 | 4,675,319 | - | - |
| Corporate bonds | 127,735 | 127,735 | - | - |
| Municipal bonds | 20,239 | 20,239 | - | - |
| Asset backed securities | 94,941 | 94,941 | - | - |
| U.S. treasuries | 23,251 | - | 23,251 | - |
| Total debt securities | 4,941,485 | 4,918,234 | 23,251 | - |
| Investments by insurance companies as part of annuity contracts and policies | 259,257 | - | 259,257 | - |
| Total Investments at Fair Value | \$ 16,074,516 | \$ 15,792,008 | \$ 282,508 | \$ - |

Common stocks are valued at the closing price reported on the New York Stock Exchange.

Mutual funds are valued at the daily closing price as reported by the City of Sweetwater's Police Officers' Defined Benefit Plan (the "Plan"). Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Investments by insurance companies as part of annuity contracts and policies consists of money market funds, debt, equity and mutual funds invested by insurance company managers and valued by the insurance companies as part of the investment in annuities and insurance policies owned by the City. The investments by the insurance company managers are deemed to be actively traded.

C. Accounts Receivable

Accounts receivable at September 30, 2020 are summarized as follows:

| | General Fund | Special Revenue Funds | Capital Project Fund | Total |
|-----------------------------|-------------------|-----------------------|----------------------|---------------------|
| Unrestricted taxes and fees | \$ 532,769 | \$ - | \$ - | \$ 532,769 |
| Restricted taxes | - | 129,865 | - | 129,865 |
| Grants/contributions | - | 686,958 | 20,441 | 707,399 |
| Other | - | 227,941 | - | 227,941 |
| | <u>\$ 532,769</u> | <u>\$ 1,044,764</u> | <u>\$ 20,441</u> | <u>\$ 1,597,974</u> |

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

D. Interfund Receivables, Payables and Transfers

Amounts due from and to other funds at September 30, 2020 are summarized as follows:

| | Due from Other Funds | Due to Other Funds |
|-------------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 2,580,788 | \$ 88,726 |
| Special Revenue Fund: | | |
| Mildred Claude Pepper Center | - | 1,088,684 |
| Stormwater and Drainage Improvement | - | 958,459 |
| 1/2 Cent Tax | 75 | 459,573 |
| Various Police Trust Funds | - | 74,147 |
| | \$ 2,669,589 | \$ 2,669,589 |

Interfund balances are resulting from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended September 30, 2020 consisted of a transfer made to fund a maintenance of effort allocation from the General Fund to the ½ Cent Tax Fund, and a transfer to cover expenditures in the Law Enforcement Grants Fund.

E. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated | | | | |
| Land | \$ 804,867 | \$ - | \$ - | \$ 804,867 |
| Construction in progress | - | 374,846 | - | 374,846 |
| Total capital assets not being depreciated | 804,867 | 374,846 | - | 1,179,713 |
| Capital Assets, being depreciated | | | | |
| Buildings | 4,765,408 | - | - | 4,765,408 |
| Building and land improvements | 2,763,519 | 154,782 | - | 2,918,301 |
| Machinery and equipment | 3,081,221 | 89,240 | - | 3,170,461 |
| Automobiles and trucks | 4,143,326 | 404,223 | - | 4,547,549 |
| Infrastructure - drainage, stormwater and road improvements | 31,132,142 | 320,238 | - | 31,452,380 |
| Total capital assets being depreciated | \$ 45,885,616 | \$ 968,483 | \$ - | \$ 46,854,099 |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,510,817 | 86,489 | - | 2,597,306 |
| Building and land improvements | 1,288,249 | 146,907 | - | 1,435,156 |
| Machinery and equipment | 2,401,378 | 214,850 | - | 2,616,228 |
| Automobiles and trucks | 3,095,979 | 305,156 | - | 3,401,135 |
| Infrastructure - drainage, stormwater and road improvements | 7,802,201 | 1,043,280 | - | 8,845,481 |
| Total accumulated depreciation | 17,098,624 | 1,796,682 | - | 18,895,306 |
| Total capital assets, being depreciated, net | \$ 28,786,992 | \$ (828,199) | \$ - | \$ 27,958,793 |
| Governmental activities capital assets, net | \$ 29,591,859 | \$ (453,353) | \$ - | \$ 29,138,506 |

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

E. Capital Assets - (continued)

Depreciation expense for the fiscal year ended September 30, 2020 was charged to functions/programs as follows:

| | |
|-------------------------|---------------------|
| General Government | \$ 224,375 |
| Public Safety | 342,486 |
| Parks and Recreation | 119,386 |
| Roads and Streets | 425,184 |
| Transportation | 75,032 |
| Stormwater and Drainage | 610,219 |
| | <u>\$ 1,796,682</u> |

F. Unearned Revenue

Unearned revenue in the City's General Fund represents payments received in advance totaling \$352,151 for licenses, permits and other fees, and franchise fees and utility taxes totaling \$2,197,918 which were received in error from Miami-Dade County. The County is reducing monthly payments, by approximately \$8,300 per month, of franchise fees and utility tax revenues to the City as a means of collection. Unearned revenue in the City's Special Revenue Funds represent monies received in advance totaling \$7,650 for capital related expenditures.

G. Non-Current Liabilities

1. Land Acquisition Revenue Refunding Bond, Series 2009/Land Acquisition Revenue Refunding Bond, Series 2011

On October 30, 2009, the Mayor and the Council authorized the issuance of the City of Sweetwater, Florida Land Acquisition Revenue Refunding Bond, Series 2009, in the amount of \$850,000, for the purpose of refunding a 2006 note that was provided for the acquisition of real estate property that will be converted into a parking facility in the future to service City Hall. The loan was secured by the revenue pledge of the City's Half-Cent Sales tax. Commencing on January 15, 2010 and through October 15, 2019 (the maturity date), interest was due quarterly at a rate approximating 4.96% per annum. Commencing on October 15, 2011, principal payment of \$44,735 was due and payable annually through and including October 15, 2019, at which date the entire unpaid principal balance and accrued interest was to be due and payable in full. On December 15, 2011 the Mayor and the Council authorized the issuance of the City of Sweetwater, Florida Land Acquisition Revenue Refunding Bond, Series 2011, for the principal amount of \$840,265, for the purpose of refunding the 2009 bond. The loan is secured by the revenue pledge of the City's Half-Cent Sales tax. Commencing on January 15, 2012 and through October 15, 2023 (the maturity date), the loan was due and payable in quarterly installments of \$20,130, including principal and interest at 2.41% per annum. The total cash flows required to service the new debt are approximately \$100,000 less than the remaining total cash flows required to service the old debt. During 2014, an additional payment of principal approximating \$200,000 was made in connection with a local funding award requirement. Commencing in July 2014, the loan is due and payable in quarterly installments of \$19,931 under the same terms above. The outstanding principal balance of the loan was paid off during the year ended September 30, 2020. The loan had a financial covenant requiring compliance with a 2.0 debt service coverage using earnings before interest, depreciation, and amortization.

Part IV. Detailed Notes on All Funds - (continued)

G. Non-Current Liabilities - (continued)

2. Capital Improvement Revenue Note, Series 2011

During fiscal year 2011, the Mayor and the Council of the City authorized the issuance of the City of Sweetwater, Capital Improvement Revenue Note, Series 2011, which provided for borrowings of \$1,800,000. The purpose of the note was to finance the cost of acquisition of land and a building located within the City for use by the maintenance and police departments. The note was secured by the pledge and assignment of proceeds received by the City from the State of Florida that constitutes the Guaranteed Entitlement, as defined in the Revenue Sharing Act (revenue sharing funds). Commencing on September 1, 2011, the note was to be due and payable in monthly installments of approximately \$10,400, including principal and interest at 3.45% per annum. The entire unpaid principal balance and accrued interest was set to be due on July 1, 2021. The outstanding principal balance of the note was paid off during the year ended September 30, 2020. The note had a financial covenant requiring compliance with a 1.2 debt service coverage using pledged revenues.

3. Equipment Loan

In June 2018 the City entered into an installment purchase agreement for the purpose of financing the acquisition of police body cameras and tasers, including high performance digital recording services. Commencing in August 2018, the agreement requires annual payments of \$82,136, including imputed interest at 3% through August 2022. The net present value of total principal payments through maturity amount to \$386,175. The outstanding remaining principal balance at September 30, 2020 amounted to \$157,074.

4. Stormwater Utility Revenue Bonds

Pursuant to an agreement with Miami-Dade County (the "County") for property areas annexed by the City in prior years, the City is required to pay the County its pro rata share for the Stormwater Utility Revenue Bonds, Series 1999 and 2004. The required annual payments, including interest, amount to approximately \$120,000 through 2018. Commencing in 2019, the remaining annual payments, including interest, approximate \$37,200 through maturity in 2029. The outstanding principal balance at September 30, 2020 amounted to \$271,617.

5. Capital Lease – Vehicle Acquisitions

During 2019, the City entered into a lease agreement for the purpose of acquiring a total of thirteen vehicles for the police department, valued at \$475,739. At September 30, 2020, total accumulated depreciation on these vehicles amounted to \$190,296. Commencing in June 2019, the lease agreement requires annual payments of approximately \$110,000, including interest at a rate of 4.9% per annum, with final payment due in 2023. The outstanding principal balance of the lease at September 30, 2020 amounted to \$301,423.

6. Compensated Absences

A summary of changes in compensated absences liabilities is included in the debt summary schedule below.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

G. Non-Current Liabilities - (continued)

7. Non-Current Liabilities Summary Schedule

| | <u>9/30/19</u> | <u>Additions</u> | <u>Deletions</u> | <u>9/30/20</u> | <u>Due Within One Year</u> |
|---|---------------------|---------------------|---------------------|---------------------|--------------------------------|
| Direct Borrowings and Direct Placements | | | | | |
| Capital Improvement Revenue Note, 2011 | \$ 1,217,183 | \$ - | \$ 1,217,183 | \$ - | \$ - |
| Equipment Loan | 232,148 | - | 75,074 | 157,074 | 77,357 |
| Capital Lease - Equipment Acquisition | 392,323 | - | 90,900 | 301,423 | 95,528 |
| Real Estate Refunding Bond | 73,617 | - | 73,617 | - | - |
| Total Direct Borrowings and Direct Placements | <u>1,915,271</u> | <u>-</u> | <u>1,456,774</u> | <u>458,497</u> | <u>172,885</u> |
| Other Non-Current Liabilities | | | | | |
| Stormwater Utility Revenue Bonds - County | 298,072 | - | 26,455 | 271,617 | 27,371 |
| Accrued Compensated Absences | 1,211,307 | 688,739 | 561,379 | 1,338,667 | 425,000 |
| Net Pension Liability | 3,347,563 | 1,703,439 | 2,049,434 | 3,001,568 | - |
| Total Other Non-Current Liabilities | <u>4,856,942</u> | <u>2,392,178</u> | <u>2,637,268</u> | <u>4,611,852</u> | <u>452,371</u> |
| Total | <u>\$ 6,772,213</u> | <u>\$ 2,392,178</u> | <u>\$ 4,094,042</u> | <u>\$ 5,070,349</u> | <u>\$ 625,256</u> |

Combined aggregate maturities for all long-term debt, excluding net pension liability and compensated absences, for each of the next five years and to maturity are as follows:

| <u>Year</u> | <u>Future Commitments</u> | |
|--------------|---------------------------|-------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 200,256 | \$ 29,931 |
| 2022 | 208,427 | 21,761 |
| 2023 | 134,802 | 13,249 |
| 2024 | 30,312 | 6,864 |
| 2025 | 31,361 | 5,815 |
| 2026 - 2029 | 124,956 | 12,025 |
| Total | <u>\$ 730,114</u> | <u>\$ 89,645</u> |

H. Fund Balance

Restrictions of Fund Balance include the following:

1. Restricted for Stormwater and Drainage Improvements – represents the amount of fund equity in special revenue funds which is to be used (externally imposed) only for stormwater and drainage improvements;
2. Restricted for Public Safety Initiatives – represents the amount of fund equity in special revenue funds and the capital project fund which is to be used (externally imposed) only for specific law enforcement expenditures, and includes impact fees to be used for capital improvements;
3. Restricted for Capital Projects – represents the amount of fund equity in the capital project fund which is to be used for specific capital improvement projects;
4. Restricted for Parks and Recreation – represents the amount of fund equity in special revenue funds and the capital project fund which is to be used (externally imposed) only for expenditures pertaining to parks and recreation, and includes impact fees to be used for capital improvements;
5. Restricted for Transportation, Roads and Streets – represents the amount of fund equity in special revenue funds and the capital project fund which is to be used (externally imposed) only for specific transportation related expenditures or expenditures pertaining to roads and streets, and includes impact fees to be used for capital improvements.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans

The City has a defined benefit plan for police officers, a defined benefit plan for general employees, a Section 457 Deferred Compensation Plan for employees and elected officials, and an Elected Officials' Retirement Trust. The defined benefit plan for the police officers and the elected officials' retirement trust are included in the Pension Trust Funds.

1. Defined Benefit Plan - Police Officers

Plan Description and Benefits Provided

The City established a single employer defined benefit retirement plan (the "Plan") on October 1, 1976 which covers all full-time police officers of the City under age 60. The Plan is controlled by a Board of Trustees independent of the City and falls under the requirements of Florida Statutes Chapter 185, Municipal Police Officers Retirement Trust Funds. The Plan was established under the Code of Ordinances for the City of Sweetwater, Florida, Chapter 50, Article IV, and was most recently amended under Ordinance No. 4248, passed and adopted on September 30, 2016. The Plan is also governed by certain provisions of Chapter 185, Florida Statutes, Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. The Plan meets the criteria for inclusion in the City's reporting entity as a component unit and therefore, has been reported in the City's basic financial statements.

The contributions to the Plan are from three sources, the City, the State of Florida, and the police officers. The State's contribution to the fund represents a tax on all liability insurance premiums collected within the State. The individual police officers are required to contribute 6% of their compensation, without cost-sharing. The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability without cost-sharing. The City must keep the plan actuarially sound and fund any actuarial deficiency as required by Chapter 185, Florida Statutes. The City's payroll for covered employees was approximately \$3,400,000 and the City's total payroll for the police department employees was approximately \$3,800,000.

The Plan provides normal retirement benefit of 3.0% of the average annual compensation times the years of a contributing service, principally through a 10 year Certain and Life annuity, with other options available for those employees retiring at age 50 and with 10 years of contributing service. The Plan also provides early retirement benefit for those employees retiring 10 years prior to the normal retirement date. The benefit is based on the amount accrued to date, but is actuarially reduced to take into account the lower retirement age. The Plan also provides pre-retirement death benefits and disability retirement benefits. Contributions vest to the employees at a rate of 10% for each year of contributing service. These benefit provisions and all other requirements are established by Florida Statutes Chapter 185.

Cash and Short-Term Investments

The Plan holds its short-term investments in money market funds. A money market fund is a type of mutual fund that is required by law to invest in low-risk securities. These funds have relatively low risks compared to other mutual funds and pay dividends that generally reflect short-term interest rates. Unlike a "money market deposit account" at a bank, money market funds are not federally insured.

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans - (continued)

1. Defined Benefit Plan - Police Officers - (continued)

Investments and Investment Strategy

The Plan's investment activities are consistent with those prescribed in the written investment guidelines adopted by the Board of Trustees, (Ordinance No. 2837, Section 17A-50(g), January 8, 2001). The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement was last amended in June 2020. The following was the Pension Board's adopted asset allocation policy as of September 30, 2020 – domestic equities, 40% to 60%; international equities, 10% to 20%; domestic fixed income, 25% to 35%; foreign fixed income 0% to 10%; and cash and cash equivalents, minimal.

During the year ended September 30, 2020 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$1,442,820 (reported within investment income in the statement of changes in fiduciary net position).

Interest Rate Risk

The term interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. Interest rate risk disclosures are required for all debt investments, as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a 2a7-like pool. When interest rates increase, the value of debt securities tends to decrease. Since the Plan may invest a portion of its portfolio in debt securities, if interest rates rise, then the value of the Plan's investments in debt securities and its yield may decline. If interest rates decrease, interest earned by the Plan on its debt investments may also decline. The longer the term of a debt security held by the Plan, the more the Plan is subject to interest rate risk. A schedule of the Plan's investment maturities by investment types is shown below on page 36.

Credit Risk

The value of a debt security is directly affected by the issuer's ability to repay principal and pay interest on time. Since the Plan may invest in debt securities, the value of the Plan's investments in debt securities and its yield may decline if an issuer fails to pay an obligation on a timely basis. The Plan may also be subject to credit risk to the extent it engages in transactions, such as repurchase agreements, which involve a promise by a third party to honor an obligation to the Plan. Such third party may be unwilling or unable to honor its financial obligations.

The Plan limits its credit risk by limiting its fixed income investments to securities issued by nationally recognized statistical rating organizations and by limiting investments with any one issuer to no more than 5% of Plan assets. At September 30, 2020 the Plan had no investments with any issuer greater than 5% of Plan assets. The Plan's fixed income rating is included below. The Plan's investments in corporate bonds, corporate stock/equity securities, and money market funds are not subject to custodial credit risk. Also, investments in U.S. government securities are not subject to a concentration of credit risk.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans - (continued)

1. Defined Benefit Plan - Police Officers - (continued)

Other Risks

Equity Risk – Share price fluctuations of equity securities will cause a fund’s net asset value to fluctuate. The Plan’s policy is that investments in corporate common stock shall not exceed 75% of the Plan’s assets at fair market value.

Foreign Security Risk – A foreign security can lose value as a result of political, financial and economic events in foreign countries, less publicly available financial and other information, less stringent foreign securities regulations and accounting disclosure standards, or other factors. Fluctuations in currency exchange rates may affect transactions conducted in currencies other than US dollars and the carrying value of foreign investments. The Plan’s exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan’s policy is that foreign securities shall not exceed 20% of the value of the Plan’s investment balance.

The Plan invests in a diversified list of quality common stocks, convertible bonds, foreign equity funds, and cash equivalents. Investment income is composed of realized gains on sale of investments and interest and dividends. Realized and unrealized security gains or losses are retained in the portfolio and reinvested.

The Plan’s investment portfolio is designed to comply with guidelines that are based principally on Florida laws governing the investment of municipal retirement plans for fire, police, and general government employees.

At September 30, 2020, the Plan’s deposit and investments consisted of the following:

| | Market Value | Effective Duration (In Years) | Credit Risk |
|-----------------------|----------------------|-------------------------------------|-------------------------|
| Investments by Types: | | | |
| Money Market Funds | \$ 203,204 | N/A | N/A |
| Fixed Income | | | |
| Mutual Funds | 4,600,432 | See below | Aaa/Aa/A/Bbb/Bb/Unrated |
| Equities | 9,977,355 | N/A | N/A |
| Foreign Equity Funds | 514,138 | N/A | N/A |
| Total Investments | <u>\$ 15,295,129</u> | | |

The information as to the weighted average maturity of its fixed income portfolio is as follows:

| Investment Type | Total Fair Value | Less than 1 year | 1 - 5 years | 6 - 10 years | More than 10 years |
|---------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| Fixed Income Mutual Funds | \$ 4,600,432 | \$ 128,812 | \$ 1,683,758 | \$ 1,784,968 | \$ 1,002,894 |
| Totals | <u>\$ 4,600,432</u> | <u>\$ 128,812</u> | <u>\$ 1,683,758</u> | <u>\$ 1,784,968</u> | <u>\$ 1,002,894</u> |

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans - (continued)

1. Defined Benefit Plan - Police Officers - (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pension

At September 30, 2020, the City reported a net pension liability of \$1,123,350 for the Plan. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2018.

For the year ended September 30, 2020, the City recognized pension expense of \$580,406. At September 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 266,326 | \$ 792,632 |
| Changes of assumptions | 8 | 71,213 |
| Net difference between projected and actual earnings on pension plan investments | 276,661 | 389,767 |
| City contributions subsequent to the measurement date | 1,084,953 | - |
| | \$ 1,627,948 | \$ 1,253,612 |

The \$1,084,953 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending September 30: | |
|---------------------------|--------------|
| 2021 | \$ (444,212) |
| 2022 | \$ (377,091) |
| 2023 | \$ (18,253) |
| 2024 | \$ 124,716 |
| 2025 | \$ 2,348 |
| Thereafter | \$ 1,875 |

Actuarial Assumptions

The total pension liability in the October 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---------------------------|------------------|
| Inflation | 2.25% |
| Actuarial cost method | Entry age normal |
| Salary increases | 7.00% |
| Investment rate of return | 7.00% |

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans - (continued)

1. Defined Benefit Plan - Police Officers - (continued)

Mortality rates were based on the RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for healthy post-retirement mortality), with mortality improvement projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment.

There were no differences between the assumptions used for the September 30, 2019 measurement date calculations and September 30, 2018 measurement date calculations.

The long-term expected rate of return on 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 expense 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 Plan's target asset allocation are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|---|
| Domestic equity | 7.50% |
| International equity | 8.50% |
| Domestic fixed income | 2.50% |

Discount Rate

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

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 7.50%. It was also calculated using a discount rate that was one percentage point lower (6.50%) and one percentage point higher (8.50%) and the different computations were compared.

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|-----------------------|------------------------------------|--|------------------------------------|
| Net pension liability | \$ 2,739,339 | \$ 1,123,350 | \$ (229,342) |

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans - (continued)

1. Defined Benefit Plan - Police Officers - (continued)

More information about the Plan's fiduciary net position is available in the separately issued City of Sweetwater Police Retirement Plan financial statements.

2. Defined Benefit Plan - General Employees

The City's general employees participate in a cost sharing multiple-employer pension plan called the International Brotherhood of Painters and Allied Trades Union and Industry Pension Fund. The plan is controlled by a Board of Trustees independent of the City; consequently, it is not part of the basic financial statements of the City.

The plan provides normal retirement benefits at age 55 based on service units earned by the employees for hours worked during a calendar year and depending on when contributions were started. The plan also provides for a reduced pension, early pension, and pre-retirement and post retirement death benefits when certain age, service and other requirements have been met. Contributions vest to employees after 5 years of service.

The entry age normal actuarial cost method has been used by the plan. Entry age is defined as age at hire. The normal cost and actuarial accrued liability are calculated on an individual basis. An assumed rate of return of 7.25% has been used in determining the actuarial present value of accumulated plan benefits.

In the event of termination of the plan, the assets then remaining in the plan after providing for any administrative expenses shall be allocated among the pensioners, beneficiaries and participants in the following order:

1. First, to the benefits payable as a pension
2. Second, to all other guaranteed benefits of the individuals under the plan guaranteed
3. Third, to all other vested benefits under this plan
4. Fourth, to all other benefits under this plan

The City contributed \$2.16 for non-union covered employees and \$2.16 for union covered employees for each hour worked. The total contribution for covered employees by the City for the year ended September 30, 2020 amounted to approximately \$331,000.

3. Section 457 Deferred Compensation Plan

Through the adoption of Resolution No. 2620, the City established a deferred compensation plan for the employees and elected officials of the City. The plan document was executed on December 8th, 1998, and the adopted deferred compensation plan was created in accordance with Internal Revenue Code Section 457.

The plan is available for all employees and officials who elect to participate. The purpose of the plan is to provide additional benefits to City employees and officials who elect to voluntarily set aside and invest portions of their current income to meet future financial requirements and to supplement existing retirement programs. The plan is administered by an independent plan administrator through an administrative service agreement. The City's administrative involvement is limited to transmitting amounts

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans - (continued)

3. Section 457 Deferred Compensation Plan - (continued)

withheld from payroll to the Plan administrator, who performs investing functions. Plan assets are held in trust for the benefit of the participants and their beneficiaries. The assets will not be diverted for any other purpose.

4. City of Sweetwater Elected Officials' Retirement Trust

Through the adoption of Resolution No. 3004, the City's Board of Commissioners approved the creation of an irrevocable trust fund called the "City of Sweetwater Elected Officials' Retirement Trust" (the "Trust"). The Trust was established under the Code of Ordinances for the City of Sweetwater, Florida, Chapter 2, Article IV, Division 6, and was most recently amended under Ordinance No. 4417 passed and adopted on June 4, 2018. The Trust is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. A three-member Board of Trustees, comprised of the Mayor, a commissioner, and a jointly selected additional member, administers and manages the retirement system.

The Elected Officials' Retirement Trust has been created to provide benefits to any elected official who has been an elected official for a period of nine (9) years or more of continuous service, or five (5) years or more of continuous service if elected prior to January 1, 2008, and who no longer serves as an elected official. Under the plan the elected official will be entitled, during the remainder of his/her natural life, to a sum equal to one-half of his/her W-2 wages for the highest of the last three years of service of his/her term of office and a single sum death benefit fully vested at date of death. Upon vesting and each year after, the retirement allowance shall increase by 5 percent for each year of service to a maximum of 100% of highest W-2 wages. No member's annual benefit may exceed the amounts permitted under Section 415 of the Internal Revenue Code of 1986, as amended. A retired member who has received any benefits under this pension plan and is subsequently elected to office shall not be eligible to participate in the elected officials pension plan.

The Plan is a non-contributory system; contributions to the plan will be made by the City so as to provide for an actuarial sound pension trust for the benefit of the elected officials. Retirement age is 55 years old with 5 years or more of service. The life annuities purchased as discussed below provide for and meet the future present value of benefits required under the Trust.

As of September 30, 2020, the Elected Officials' Retirement Trust had accumulated net position of \$1,742,989 and purchased life annuities and investments under the City's name for various eligible officials with an aggregate fair value of \$1,652,347. See Note IV-A for credit risk and weighted average maturities in years of annuities.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pension

At September 30, 2020, the City reported a net pension liability of \$1,878,218 for the Trust. The City did not complete an actuarial valuation for reporting the net pension liability as of September 30, 2020 in accordance with GASB 68. The net pension liability was estimated as of September 30, 2020, utilizing the prior year net pension liability and reversals of prior year deferred outflows/inflows of resources.

At September 30, 2020 the City reported deferred outflows of resources of \$2,093,305 related to pensions resulting from City contributions subsequent to the prior measurement date of September 30, 2018.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

I. Pension Plans - (continued)

4. City of Sweetwater Elected Officials' Retirement Trust - (continued)

Actuarial Assumptions

The total pension liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---------------------------|------------------|
| Inflation | 2.50% |
| Actuarial cost method | Entry age normal |
| Salary increases | 4.00% |
| Investment rate of return | 3.00% |

Mortality rates were based on 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. These are the same rates currently in use for Non-Special Risk Class members of the Florida Retirement System (FRS), as required under Florida Statutes, Chapter 112.63.

The investment return assumption was 3.0% in order to more accurately reflect the anticipated future investment earnings on the group annuity contracts in which most of the Trust assets are invested. The long-term expected rate of return on Trust investments is 3.0%.

Discount Rate

The discount rate used to measure the total pension liability was 3.0%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments of current Trust 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.

J. Contingencies and Commitments

1. Pledged Revenues

As described in Note G, Non-Current Liabilities (pages 31 - 33), the following revenues were pledged.

- City of Sweetwater, Florida Land Acquisition Revenue Refunding Bond, Series 2011, for the principal amount of \$840,265, was secured by the pledge and assignment of Half-Cent Sales taxes.
- City of Sweetwater, Florida Capital Improvement Revenue Note, Series 2011, which provided for borrowings of \$1,800,000, was secured by the pledge and assignment of proceeds received by the City from the State of Florida that constitutes the Guaranteed Entitlement, as defined in the Revenue Sharing Act (revenue sharing funds).

The remaining outstanding principal balance on the loans were paid during 2020.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2020

Part IV. Detailed Notes on All Funds - (continued)

J. Contingencies and Commitments - (continued)

2. Litigation and Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City carries insurance. During 2019, the City reduced its general liability insurance coverage to \$3,000,000. During the previous two years the City has carried \$5,000,000 general liability coverage. During 2020 the City maintained its general liability insurance coverage at \$3,000,000.

The City is involved in several lawsuits incidental to its operations. In the opinion of management and legal counsel, the ultimate outcome of such matters would not have a material adverse effect upon the financial condition of the City.

3. Leases

The City leases office facilities and equipment under various leases with expiration dates through 2025. Rental expenses for equipment leases and office facilities for the year ended September 30, 2020 amounted to approximately \$160,000. Future commitments under operating leases at September 30, 2020 are as follows:

| <u>Year</u> | <u>Amount</u> |
|--------------|---------------------------------|
| 2021 | \$ 152,520 |
| 2022 | 138,435 |
| 2023 | 32,332 |
| 2024 | 22,657 |
| 2025 | 13,217 |
| Total | <u><u>\$ 359,161</u></u> |

4. Construction Commitments

The City has active construction projects in progress and projects it has committed to that have not commenced as of September 30, 2020. The projects include stormwater drainage improvements and construction throughout the City. The remaining total commitments amount to approximately \$500,000.

5. Federal and State Awards

The City receives several grants from governmental agencies that require compliance with certain provisions stated in the grant agreements. Failure to comply with the provisions could result in the return of funds to the grantors. Although that is a possibility, management of the City deems the contingency remote since, in its opinion, the City has complied in all material respects with the provisions of the grants.

K. Subsequent Events

During 2021, the ongoing COVID-19 pandemic is having negative effects on local, regional and global economies. The extent to which COVID-19 will continue to impact the City's operations is highly uncertain and cannot be predicted with confidence at this time. It is probable that the City's revenue sources such as red-light camera revenues, permit fees, fines, and certain tax revenues will be less than originally budgeted.

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

City of Sweetwater, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2020

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|--|--|---------------------------------------|---------------------------|---|
| Revenues | | | | |
| Taxes | \$ 7,754,665 | \$ 7,754,665 | \$ 7,738,303 | \$ (16,362) |
| Revenue sharing | 2,445,042 | 2,445,042 | 2,226,114 | (218,928) |
| Franchise fees | 993,186 | 993,186 | 1,167,331 | 174,145 |
| Licenses, permits, and fees | 8,487,458 | 8,487,458 | 4,277,967 | (4,209,491) |
| Fines, forfeitures, and donations | 1,824,301 | 1,824,301 | 1,879,227 | 54,926 |
| Utility service taxes | 813,848 | 813,848 | 914,692 | 100,844 |
| Grants/contributions | - | - | 708,015 | 708,015 |
| Investment income | 91,200 | 91,200 | 33,328 | (57,872) |
| Management fees | 67,762 | 67,762 | 67,762 | - |
| Rental income and other miscellaneous | 345,240 | 345,240 | 429,916 | 84,676 |
| Total Revenues | <u>22,822,702</u> | <u>22,822,702</u> | <u>19,442,655</u> | <u>(3,380,047)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administrative | 3,772,888 | 3,772,888 | 3,116,135 | 656,753 |
| Public safety | 8,390,799 | 8,390,799 | 7,561,500 | 829,299 |
| Parks and recreation | 1,119,619 | 1,119,619 | 569,194 | 550,425 |
| Maintenance | 3,553,087 | 3,553,087 | 2,899,422 | 653,665 |
| School guards | 35,353 | 35,353 | 17,919 | 17,434 |
| Building, zoning, planning, roads, and code enforcement | 1,972,023 | 1,972,023 | 1,720,161 | 251,862 |
| Executive and legislative | 2,190,175 | 2,190,175 | 2,599,399 | (409,224) |
| Capital outlay | 1,408,278 | 1,408,278 | 573,479 | 834,799 |
| Debt service | | | | |
| Principal retirement | 158,097 | 158,097 | 1,456,774 | (1,298,677) |
| Interest | 45,534 | 45,534 | 72,601 | (27,067) |
| Total Expenditures | <u>22,645,853</u> | <u>22,645,853</u> | <u>20,586,584</u> | <u>2,059,269</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>176,849</u> | <u>176,849</u> | <u>(1,143,929)</u> | <u>(1,320,778)</u> |
| Other Financing Sources and (Uses) | | | | |
| Operating transfers (out) | (181,849) | (181,849) | (224,704) | (42,855) |
| Proceeds - sale of capital assets | 5,000 | 5,000 | - | (5,000) |
| Total Other Financing Sources and (Uses) | <u>(176,849)</u> | <u>(176,849)</u> | <u>(224,704)</u> | <u>(47,855)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,368,633)</u> | <u>\$ (1,368,633)</u> |

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2020

| | Administrative | | | Public Safety | | |
|--|-----------------------|----------------------|---|-----------------------|-----------------------|---|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | | | | |
| Taxes | \$ 7,754,665 | \$ 7,738,303 | \$ (16,362) | \$ - | \$ - | \$ - |
| Revenue sharing | 2,445,042 | 2,226,114 | (218,928) | - | - | - |
| Franchise fees | 993,186 | 1,167,331 | 174,145 | - | - | - |
| Licenses, permits, and fees | 1,907,595 | 1,384,190 | (523,405) | 122,400 | 96,702 | (25,698) |
| Fines, forfeitures, and donations | - | - | - | 1,731,637 | 1,712,400 | (19,237) |
| Utility service taxes | 813,848 | 914,692 | 100,844 | - | - | - |
| Grants/contributions | - | 708,015 | 708,015 | - | - | - |
| Investment income | 91,200 | 33,328 | (57,872) | - | - | - |
| Management fees | 67,762 | 67,762 | - | - | - | - |
| Rental income and other miscellaneous | 329,240 | 423,307 | 94,067 | - | - | - |
| Total Revenues | <u>14,402,538</u> | <u>14,663,042</u> | <u>260,504</u> | <u>1,854,037</u> | <u>1,809,102</u> | <u>(44,935)</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Personnel services | 2,352,900 | 2,187,103 | 165,797 | 7,035,483 | 6,445,923 | 589,560 |
| Operating | 1,419,988 | 929,032 | 490,956 | 1,355,316 | 1,115,577 | 239,739 |
| Total Current | <u>3,772,888</u> | <u>3,116,135</u> | <u>656,753</u> | <u>8,390,799</u> | <u>7,561,500</u> | <u>829,299</u> |
| Capital outlay | 62,400 | 28,809 | 33,591 | 227,178 | 12,596 | 214,582 |
| Debt service | | | | | | |
| Principal payment | 158,097 | 1,290,800 | (1,132,703) | - | 165,974 | (165,974) |
| Interest | 45,534 | 45,564 | (30) | - | 27,037 | (27,037) |
| Total Expenditures | <u>4,038,919</u> | <u>4,481,308</u> | <u>(442,389)</u> | <u>8,617,977</u> | <u>7,767,107</u> | <u>850,870</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ 10,363,619</u> | <u>\$ 10,181,734</u> | <u>\$ (181,885)</u> | <u>\$ (6,763,940)</u> | <u>\$ (5,958,005)</u> | <u>\$ 805,935</u> |

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2020
(Continued)

| | <u>Parks and Recreation</u> | | | <u>Maintenance</u> | | |
|--|-----------------------------|---------------------|---|-----------------------|-----------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Revenue sharing | - | - | - | - | - | - |
| Franchise fees | - | - | - | - | - | - |
| Licenses, permits, and fees | 26,890 | - | (26,890) | 1,230,573 | 1,220,743 | (9,830) |
| Fines, forfeitures, and donations | - | - | - | - | - | - |
| Utility service taxes | - | - | - | - | - | - |
| Grants/contributions | - | - | - | - | - | - |
| Investment income | - | - | - | - | - | - |
| Management fees | - | - | - | - | - | - |
| Rental income and other miscellaneous | - | - | - | - | - | - |
| Total Revenues | <u>26,890</u> | <u>-</u> | <u>(26,890)</u> | <u>1,230,573</u> | <u>1,220,743</u> | <u>(9,830)</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Personnel services | 602,651 | 283,059 | 319,592 | 1,544,675 | 1,275,214 | 269,461 |
| Operating | 516,968 | 286,135 | 230,833 | 2,008,412 | 1,624,208 | 384,204 |
| Total Current | <u>1,119,619</u> | <u>569,194</u> | <u>550,425</u> | <u>3,553,087</u> | <u>2,899,422</u> | <u>653,665</u> |
| Capital outlay | 30,000 | - | 30,000 | 148,500 | 21,206 | 127,294 |
| Debt service | | | | | | |
| Principal payment | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Total Expenditures | <u>1,149,619</u> | <u>569,194</u> | <u>580,425</u> | <u>3,701,587</u> | <u>2,920,628</u> | <u>780,959</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ (1,122,729)</u> | <u>\$ (569,194)</u> | <u>\$ 553,535</u> | <u>\$ (2,471,014)</u> | <u>\$ (1,699,885)</u> | <u>\$ 771,129</u> |

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2020
(Continued)

| | <u>School Guards</u> | | | <u>Building, Zoning, Planning, Roads, and Code Enforcement</u> | | |
|--|----------------------|--------------------|---|--|---------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Revenue sharing | - | - | - | - | - | - |
| Franchise fees | - | - | - | - | - | - |
| Licenses, permits, and fees | - | - | - | 5,200,000 | 1,576,332 | (3,623,668) |
| Fines, forfeitures, and donations | - | - | - | 92,664 | 166,827 | 74,163 |
| Utility service taxes | - | - | - | - | - | - |
| Grants/contributions | - | - | - | - | - | - |
| Investment income | - | - | - | - | - | - |
| Management fees | - | - | - | - | - | - |
| Rental income and other miscellaneous | 16,000 | 6,609 | (9,391) | - | - | - |
| Total Revenues | <u>16,000</u> | <u>6,609</u> | <u>(9,391)</u> | <u>5,292,664</u> | <u>1,743,159</u> | <u>(3,549,505)</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Personnel services | 32,998 | 15,842 | 17,156 | 1,563,820 | 1,398,289 | 165,531 |
| Operating | 2,355 | 2,077 | 278 | 408,203 | 321,872 | 86,331 |
| Total Current | <u>35,353</u> | <u>17,919</u> | <u>17,434</u> | <u>1,972,023</u> | <u>1,720,161</u> | <u>251,862</u> |
| Capital outlay | - | - | - | 930,435 | 510,868 | 419,567 |
| Debt service | | | | | | |
| Principal payment | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Total Expenditures | <u>35,353</u> | <u>17,919</u> | <u>17,434</u> | <u>2,902,458</u> | <u>2,231,029</u> | <u>671,429</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ (19,353)</u> | <u>\$ (11,310)</u> | <u>\$ 8,043</u> | <u>\$ 2,390,206</u> | <u>\$ (487,870)</u> | <u>\$ (2,878,076)</u> |

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2020
(Continued)

| | Executive and Legislative | | |
|--|----------------------------------|-----------------------|---|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Revenue sharing | - | - | - |
| Franchise fees | - | - | - |
| Licenses, permits, and fees | - | - | - |
| Fines, forfeitures, and donations | - | - | - |
| Utility service taxes | - | - | - |
| Grants/contributions | - | - | - |
| Investment income | - | - | - |
| Management fees | - | - | - |
| Rental income and other miscellaneous | - | - | - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | |
| Current | | | |
| Personnel services | 1,442,759 | 2,263,020 | (820,261) |
| Operating | 747,416 | 336,379 | 411,037 |
| Total Current | <u>2,190,175</u> | <u>2,599,399</u> | <u>(409,224)</u> |
| Capital outlay | 9,765 | - | 9,765 |
| Debt service | | | |
| Principal payment | - | - | - |
| Interest | - | - | - |
| Total Expenditures | <u>2,199,940</u> | <u>2,599,399</u> | <u>(399,459)</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ (2,199,940)</u> | <u>\$ (2,599,399)</u> | <u>\$ (399,459)</u> |

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2020
(Continued)

| | TOTAL | | Variance Favorable (Unfavorable) |
|--|-------------------|-----------------------|---|
| | Budget | Actual | |
| Revenues | | | |
| Taxes | \$ 7,754,665 | \$ 7,738,303 | \$ (16,362) |
| Revenue sharing | 2,445,042 | 2,226,114 | (218,928) |
| Franchise fees | 993,186 | 1,167,331 | 174,145 |
| Licenses, permits, and fees | 8,487,458 | 4,277,967 | (4,209,491) |
| Fines, forfeitures, and donations | 1,824,301 | 1,879,227 | 54,926 |
| Utility service taxes | 813,848 | 914,692 | 100,844 |
| Grants/contributions | - | 708,015 | 708,015 |
| Investment income | 91,200 | 33,328 | (57,872) |
| Management fees | 67,762 | 67,762 | - |
| Rental income and other miscellaneous | 345,240 | 429,916 | 84,676 |
| Total Revenues | 22,822,702 | 19,442,655 | (3,380,047) |
| Expenditures | | | |
| Current | | | |
| Personnel services | 14,575,286 | 13,868,450 | 706,836 |
| Operating | 6,458,658 | 4,615,280 | 1,843,378 |
| Total Current | 21,033,944 | 18,483,730 | 2,550,214 |
| Capital outlay | 1,408,278 | 573,479 | 834,799 |
| Debt service | | | |
| Principal payment | 158,097 | 1,456,774 | (1,298,677) |
| Interest | 45,534 | 72,601 | (27,067) |
| Total Expenditures | 22,645,853 | 20,586,584 | 2,059,269 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 176,849 | (1,143,929) | (1,320,778) |
| Other Financing Sources (Uses) | | | |
| Operating transfers in (out) | (181,849) | (224,704) | (42,855) |
| Proceeds - sale of capital assets | 5,000 | - | (5,000) |
| Total Other Financing Sources (Uses) | (176,849) | (224,704) | (47,855) |
| Net Change in Fund Balances | \$ - | \$ (1,368,633) | \$ (1,368,633) |

City of Sweetwater, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Stormwater Drainage Improvement Fund
For the Year Ended September 30, 2020

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|--|--|---------------------------------------|---------------------------|---|
| Revenues | | | | |
| Licenses, permits, and fees | \$ 968,031 | \$ 968,031 | \$ 952,561 | \$ (15,470) |
| Investment income | 420 | 420 | 2,183 | 1,763 |
| Appropriation of fund balance | 35,246 | 35,246 | - | (35,246) |
| Total Revenues | <u>1,003,697</u> | <u>1,003,697</u> | <u>954,744</u> | <u>(48,953)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Stormwater and drainage | 951,497 | 951,497 | 800,662 | 150,835 |
| Capital outlay | 15,000 | 15,000 | 283,977 | (268,977) |
| Debt service | | | | |
| Principal retirement | 37,200 | 37,200 | 26,455 | 10,745 |
| Interest | - | - | 10,745 | (10,745) |
| Total Expenditures | <u>1,003,697</u> | <u>1,003,697</u> | <u>1,121,839</u> | <u>(118,142)</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>-</u> | <u>-</u> | <u>(167,095)</u> | <u>(167,095)</u> |
| Other Financing Sources and (Uses) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers (out) | - | - | - | - |
| Total Other Financing Sources and (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (167,095)</u> | <u>\$ (167,095)</u> |

CITY OF SWEETWATER, FLORIDA
Notes to Budgetary Comparison Schedules
September 30, 2020

Note 1. Budgets and Budgetary Accounting

A legally adopted budget is prepared for the General Fund and some of the Special Revenue Funds on a basis consistent with GAAP, with the exception of encumbered items, and is controlled on a line item basis. The Capital Project Fund and Mildred Claude Pepper Center Fund adopted a project-length budget and non-appropriated budgets are adopted for some of the Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The City conforms to the following procedures in establishing the budgetary data reflected in the accompanying financial statements. Pursuant to City Charter Section 5.01 "Budget Adoption", prior to July 17, the City's Mayor submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The proposed operating budget includes proposed expenditures and the means of financing them. After City Commission review, public hearings are conducted to obtain taxpayer comments. Prior to October 1, the operating budget is enacted through the passage of an ordinance by the City Commission.

Formal budgetary integration is employed as a management control device during the year for the General Fund and other legally adopted budgets. Non-appropriated budgets are adopted for most of the City's funds, other than the General Fund. This serves as a management control and planning tool for those funds. The City Commission approves all grants received during the year, including budgets provided by grantors. The City Commission also approves all contracts related to grant expenditures. At the request of the Mayor, the City Commission may transfer any unencumbered balance or portion thereof from one line item to another. Consequently, expenditures may not legally exceed appropriations at the budget line item level. Appropriations not encumbered lapse at year end.

The statement of revenues, expenditures and changes in fund balance, budget and actual, is presented for the General Fund and the Stormwater Drainage Improvement Fund.

Note 2. Excess of Expenditures over Appropriations

As of September 30, 2020, the City had various line item expenditures that exceeded appropriations, but total expenditures were within budgeted amounts at the department level, except for the executive and legislative department and for debt service. The excess expenditures in the executive and legislative department in the amount of \$409,224 were due to pension contributions made to the elected officials retirement trust fund in the form of catch-up contributions for underfunded amounts. The contributions were approved and paid out of fund balance reserves. The excess debt service expenditures in the amount of \$1,298,677 were due to the loan payoff of a capital improvement revenue note in advance of the maturity date, and due to reclassification of expenditures for financial statement purposes. Over-expenditures of interest were simply due to reclassification of capital outlay and debt service expenditures and related adjustments for financial statement purposes. Other line item over-expenditures were predominantly due to miscellaneous costs being higher than anticipated. In the stormwater drainage improvement fund, the capital outlay expenditures exceeded appropriations by \$268,977. The over-expenditures were approved by the Commission for purposes of improving the capabilities of the City's public works department, and were funded from the stormwater drainage improvement fund balance.

CITY OF SWEETWATER, FLORIDA
Notes to Budgetary Comparison Schedules
September 30, 2020

Note 3. Budget/GAAP Reconciliation

The statement of revenues, expenditures and changes in fund balance, budget and actual, are prepared on a budgetary basis to account for encumbered items at year end. The governmental fund financial statements are prepared on a GAAP basis and therefore do not include encumbered items. The City did not have any material encumbrances outstanding as of September 30, 2020; as a result, a reconciliation of budgetary basis to GAAP basis is not necessary.

City of Sweetwater, Florida
 Required Supplementary Information
 Schedule of Contributions
 Defined Benefit Plan - Police Officers
 Last Seven Fiscal Years*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,084,953 | \$ 1,170,082 | \$ 1,208,895 | \$ 626,028 | \$ 679,735 | \$ 703,400 | \$ 597,375 |
| Contributions in relation to the contractually required contribution | <u>(1,084,953)</u> | <u>(1,170,082)</u> | <u>(1,208,895)</u> | <u>(626,028)</u> | <u>(679,735)</u> | <u>(703,400)</u> | <u>(597,375)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 3,398,896 | \$ 2,991,410 | \$ 2,733,849 | \$ 1,927,011 | \$ 2,173,720 | \$ 3,079,867 | \$ 3,079,867 |
| Contributions as a percentage of covered payroll | 31.92% | 39.11% | 44.22% | 32.49% | 31.27% | 22.84% | 19.40% |

* GASB 68 requires information for 10 years; until a full 10-year trend is compiled, the City is presenting information for only those years for which information is available.

City of Sweetwater, Florida
Required Supplementary Information
Schedule of Contributions
Elected Officials' Retirement Trust
Last Six Fiscal Years*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|--------------------|-------------------|-------------------|------------------|------------------|
| Contractually required contribution | \$ 562,611 | \$ 550,000 | \$ 527,048 | \$ 548,712 | \$ 184,805 | \$ 243,601 |
| Contributions in relation to the contractually required contribution | <u>(1,462,019)</u> | <u>(631,286)</u> | <u>(334,446)</u> | <u>(164,892)</u> | <u>(136,010)</u> | <u>(156,873)</u> |
| Contribution deficiency (excess) | <u>\$ (899,408)</u> | <u>\$ (81,286)</u> | <u>\$ 192,602</u> | <u>\$ 383,820</u> | <u>\$ 48,795</u> | <u>\$ 86,728</u> |
| City's covered payroll | \$ 322,368 | \$ 301,921 | \$ 292,301 | \$ 304,316 | \$ 269,316 | \$ 355,000 |
| Contributions as a percentage of covered payroll | 453.52% | 209.09% | 114.42% | 54.18% | 50.50% | 44.19% |

* GASB 68 requires information for 10 years; until a full 10-year trend is compiled, the City is presenting information for only those years for which information is available.

COMBINING FINANCIAL STATEMENTS

City of Sweetwater, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2020

| | Special Revenue | | | | | Total Nonmajor Governmental Funds |
|---|------------------------------|--|---|--|---|--|
| | 1/2 Cent Tax Fund | Recreational Grant Fund | General Environment Grant Fund | Law Enforcement Grants Fund | Various Police Trust Funds | |
| Assets | | | | | | |
| Cash - restricted | \$ 1,767,491 | \$ 5,151 | \$ 156,185 | \$ - | \$ 241,636 | \$ 2,170,463 |
| Accounts receivable | 129,865 | - | 331,691 | - | 213 | 461,769 |
| Due from other funds | 75 | - | - | 88,726 | - | 88,801 |
| Total Assets | <u>\$ 1,897,431</u> | <u>\$ 5,151</u> | <u>\$ 487,876</u> | <u>\$ 88,726</u> | <u>\$ 241,849</u> | <u>\$ 2,721,033</u> |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | \$ 41,777 | \$ - | \$ 287,509 | \$ 88,726 | \$ 6,915 | \$ 424,927 |
| Due to other funds | 459,573 | - | - | - | 74,147 | 533,720 |
| Total Liabilities | <u>501,350</u> | <u>-</u> | <u>287,509</u> | <u>88,726</u> | <u>81,062</u> | <u>958,647</u> |
| Fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Stormwater and drainage improvements | - | - | 200,367 | - | - | 200,367 |
| Public safety initiatives | - | - | - | - | 160,787 | 160,787 |
| Parks and recreation | - | 5,151 | - | - | - | 5,151 |
| Transportation | 1,396,081 | - | - | - | - | 1,396,081 |
| Total Fund Balance | <u>1,396,081</u> | <u>5,151</u> | <u>200,367</u> | <u>-</u> | <u>160,787</u> | <u>1,762,386</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,897,431</u> | <u>\$ 5,151</u> | <u>\$ 487,876</u> | <u>\$ 88,726</u> | <u>\$ 241,849</u> | <u>\$ 2,721,033</u> |

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

City of Sweetwater, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2020

| | Special Revenue | | | | | Total Nonmajor Governmental Funds |
|--|------------------------------|--|---|--|---|--|
| | 1/2 Cent Tax Fund | Recreational Grant Fund | General Environment Grant Fund | Law Enforcement Grants Fund | Various Police Trust Funds | |
| Revenues | | | | | | |
| Taxes | \$ 1,850,267 | \$ - | \$ - | \$ - | \$ - | \$ 1,850,267 |
| Fines, forfeitures, and donations | - | 2,098 | - | - | 64,422 | 66,520 |
| Grants/contributions | - | - | 376,530 | 17,599 | - | 394,129 |
| Investment income | 4,518 | - | - | - | 187 | 4,705 |
| Other miscellaneous | - | - | - | 10,113 | - | 10,113 |
| Total Revenues | <u>1,854,785</u> | <u>2,098</u> | <u>376,530</u> | <u>27,712</u> | <u>64,609</u> | <u>2,325,734</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Public safety | - | - | - | 31,352 | 5,029 | 36,381 |
| Parks and recreation | - | 754 | - | - | - | 754 |
| Transportation | 271,004 | - | - | - | - | 271,004 |
| Capital Outlay | - | - | 331,692 | 91,969 | 6,808 | 430,469 |
| Debt Service | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Total Expenditures | <u>271,004</u> | <u>754</u> | <u>331,692</u> | <u>123,321</u> | <u>11,837</u> | <u>738,608</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,583,781</u> | <u>1,344</u> | <u>44,838</u> | <u>(95,609)</u> | <u>52,772</u> | <u>1,587,126</u> |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in (out) | 129,095 | - | - | 95,609 | - | 224,704 |
| Total Other Financing Sources (Uses) | <u>129,095</u> | <u>-</u> | <u>-</u> | <u>95,609</u> | <u>-</u> | <u>224,704</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures | 1,712,876 | 1,344 | 44,838 | - | 52,772 | 1,811,830 |
| Fund Balances - October 1, 2019 | <u>(316,795)</u> | <u>3,807</u> | <u>155,529</u> | <u>-</u> | <u>108,015</u> | <u>(49,444)</u> |
| Fund Balances - September 30, 2020 | <u>\$ 1,396,081</u> | <u>\$ 5,151</u> | <u>\$ 200,367</u> | <u>\$ -</u> | <u>\$ 160,787</u> | <u>\$ 1,762,386</u> |

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

COMPLIANCE SECTION



GARCIA

ESPINOSA

MIYARES

RODRIGUEZ

TRUEBA

Independent Auditor's 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
Members of the City Commission
City of Sweetwater, 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, each major fund, and the aggregate remaining fund information of the City of Sweetwater, 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, and have issued our report thereon dated August 25, 2021. Our report includes a reference to other auditors who audited the financial statements of the City's Police Officers' Defined Benefit Pension Plan fund, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the auditing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items that we consider to be significant deficiencies (Finding 2020-01).

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Sweetwater, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.



Coral Gables, Florida
August 25, 2021



GARCIA

ESPINOSA

MIYARES

RODRIGUEZ

TRUEBA

**Independent Accountant's Report on Compliance with the Requirements of
Section 218.415, Florida Statutes, in Accordance with Chapter 10.550, Rules of the
Auditor General of the State of Florida**

Honorable Mayor and
Members of the City Commission
City of Sweetwater, Florida

We have examined the City of Sweetwater, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2020. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City of Sweetwater, Florida complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

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

A handwritten signature in black ink that reads "GENVRT & CO, LLP".

Coral Gables, Florida
August 25, 2021



GARCIA | ESPINOSA | MIYARES | RODRIGUEZ | TRUEBA

Management Letter Required by Section 10.550 of the Rules of the Auditor General of the State of Florida

Honorable Mayor and
Members of the City Commission
City of Sweetwater, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Sweetwater, Florida (the “City”), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated August 25, 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 Auditor’s 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*; Schedule of Findings and Questioned Costs; and Independent Accountant’s 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 August 25, 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 annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the Schedule of Findings and Questioned Costs. In the current fiscal year, Findings 2020-01 and 2020-02 remain uncorrected and were also identified in the two preceding fiscal year financial audit reports.

| Tabulation of Prior Year Audit Findings | | |
|---|----------------------|----------------------|
| Current Year Finding # | FY 9/30/19 Finding # | FY 9/30/18 Finding # |
| 2020-01 | 2019-01 | 2018-01 |
| Corrected | 2019-02 | 2018-02 |
| 2020-02 | 2019-03 | 2018-04 |

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Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Sweetwater, Florida was created by a special act of the Florida Legislature, under the general laws of the State of Florida for incorporation of municipal corporations without a city charter on October 10, 1941, and was later validated by Chapter 26469 of the Laws of Florida in 1949. The blended component unit, Police Officers' Defined Benefit Pension Plan, was established through the adoption of Ordinance No. 1969.

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 of Sweetwater 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 of Sweetwater 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. The assessment was completed as of the fiscal year end. It is management's responsibility to monitor the City of Sweetwater'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, see recommendations and current status updates included in the Schedule of Findings and Questioned Costs.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not 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, the Mayor and City Commission, and applicable management of the City, and is not intended to be and should not be used by anyone other than these specified parties.



Coral Gables, Florida
August 25, 2021

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

PART I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

| | |
|--|------------|
| Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified? | Yes |
| Noncompliance material to financial statements noted? | No |

PART II – FINDINGS - FINANCIAL STATEMENTS

Finding 2020-01

Significant Deficiency: Accounts Payable Subsidiary Ledgers

Criteria

Best practices dictate that accounts payable subsidiary ledgers be prepared, maintained, and reconciled to the general ledger to ensure reliable financial reporting and operational effectiveness and efficiency.

Condition

The City’s accounting program contains an accounts payable module; however, during auditing procedures it was noted that the accounts payable aging did not agree to the general ledger. It was also noted that a reconciliation between the accounts payable aging and the general ledger could not be completed in a timely and efficient manner.

Effect

Financial reporting of balances may be misstated if accurate reports are not maintained and if reconciliation and analysis is not being completed.

Cause

A lack of complete understanding of the accounts payable module and the accounting system.

Repeat Finding

This is a variation of a prior year finding dating back to 2016. See summary schedule of prior audit findings.

Recommendation

The City should reconcile the accounts payable aging to the general ledger on a monthly basis, at a minimum. The finance department should implement procedures to be completed at month-end to ensure analysis and review of the account is taking place, and to determine the reason for any discrepancies between the aging and the general ledger.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

PART II – FINDINGS - FINANCIAL STATEMENTS – (continued)

View of Responsible Officials and Planned Corrective Action

Management will implement procedures to be completed on a monthly basis to ensure that the accounts payable aging is being maintained properly and agrees to the general ledger. The process of entering invoices and subsequent payment of invoices will be traced through the modules in the accounting system and to the general ledger. Management will consider engaging the software vendor if it is determined that further training is needed for employees.

Current Status

The accounts payable aging did not agree to the general ledger for all funds. Significant process has been made regarding this finding. The differences noted during the current fiscal year were significantly less than the previous two years. The City contacted the accounting system vendor for help in finding the solution. The City hired an accounts payable clerk that is responsible for reviewing and balancing the account on a monthly basis. The City anticipates this finding to be corrected in 2021.

Finding 2020-02

Net Pension Liability: Elected Officials Retirement Trust

Criteria

GASB Statement No. 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pension (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past period of service (total pension liability), less the amount of the pension plan's fiduciary net position. Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end). All assumptions underlying the determination of the total pension liability and related measures set forth by GASB Statement No. 68 are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Condition

For the fiscal year ended September 30, 2020, the City did not complete an actuarial valuation and did not complete update procedures to roll forward amounts from an earlier actuarial valuation in order to properly record the net pension liability for the Elected Officials Retirement Trust as required by GASB Statement No. 68.

Effect

The net pension liability as currently estimated and recorded in the financial statements may be materially misstated.

Cause

Due to cost cutting measures and other priorities, the City's budget did not provide for the funding needed to complete an actuarial valuation for the Elected Officials Retirement Trust.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

PART II – FINDINGS - FINANCIAL STATEMENTS – (continued)

Repeat Finding

This is a variation of a prior year finding dating back to 2018. See summary schedule of prior audit findings.

Recommendation

The City should set aside funding in order to contract an actuary to complete an actuarial valuation for the Elected Officials Retirement Trust in accordance with GASB Statement No. 68.

View of Responsible Officials and Planned Corrective Action

Management is requesting that an actuarial valuation be completed in order to comply with GASB requirements. Management accepts the finding and recommendation and requested proposals from qualified actuaries to conduct the valuation in 2021.

Current Status

The City is currently working with an actuarial and benefits consulting company in order for a valuation to be completed for the fiscal year ending September 30, 2021.

PART III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None in current year.

PART IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FINANCIAL STATEMENTS

| <u>Finding Number</u> | <u>Finding Title</u> | <u>Current Year Status</u> | <u>Current Year Finding Number</u> |
|-----------------------|--|----------------------------|------------------------------------|
| 2019-01 | Accounts Payable Subsidiary Ledgers | Not Corrected | 2020-01 |
| 2019-02 | Capital Assets | Corrected | - |
| 2019-03 | Net Pension Liability: Elected Officials | Not Corrected | 2020-02 |

Finding 2019-02

Significant Deficiency: Capital Assets

Criteria

Management’s assertions relating to capital assets should be supported by a schedule that summarizes, by type, the opening and ending balances in each capital asset account, including infrastructure, and transactions such as additions, retirements, and depreciation in each account. Controls should be designed to safeguard assets through preventive and detective controls.

Condition

During testing of capital assets, it was noted that the City does not perform an annual physical inventory of capital assets. Such physical counts will help detect the loss or unauthorized use of valuable property and will identify assets that need to be deleted from the City’s records. The City also lacks a sufficient detailed schedule of capital assets.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

PART IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FINANCIAL STATEMENTS

Effect

Financial reporting of capital asset balances may be misstated if proper maintenance and tracking are not maintained and if reconciliation and analysis is not being completed. There is also a potential for loss or misappropriation of assets.

Cause

The City has not had the ability to set aside the resources and time needed to complete a physical inventory and to enter all capital assets into the depreciation module in the accounting system.

Repeat Finding

This is a prior year finding dating back to 2007. See summary schedule of prior audit findings.

Recommendation

The City should perform a complete physical inventory of all of the City's inventoriable capital assets (machinery and equipment, furniture, and automobiles and trucks) and have all items properly tagged and recorded once the count is performed. The City should then update its capital assets schedule with sufficient detail to maintain an accurate listing going forward.

View of Responsible Officials and Planned Corrective Action

Management will complete a physical inventory of all of the City's inventoriable capital assets as soon as feasibly possible. In regards to the capital asset schedule, management will update the current schedule to include sufficient detail. Management is also assessing the feasibility of procuring a new accounting software program that will assist and improve the current reporting capabilities.

Current Status

This finding has been deemed to be corrected. The City hired an employee that was able to update and maintain a detailed asset listing in an asset and depreciation spreadsheet. This spreadsheet will be maintained until the finance department is able to be fully trained to use the accounting system asset module.

PART V – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL PROGRAMS

None reported.

IMPACT FEE ORDINANCE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Carlos Cintron, Finance Director, who being duly sworn, deposes and says on oath that:

1. I am the Finance Director of the City of Sweetwater which is a local governmental entity of the State of Florida;
2. The governing body of the City of Sweetwater adopted Ordinance No. 3588 and 4184 implementing and amending impact fees; and
3. The City of Sweetwater has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.



 Carlos Cintron, Finance Director
 City of Sweetwater

STATE OF FLORIDA
COUNTY OF Miami-Dade

SWORN TO AND SUBSCRIBED before me this 25th day of August, 2021.



 NOTARY PUBLIC
 Print Name Carmen J. Garcia

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires:
May 9, 2023

