

CITY OF DAVENPORT, FLORIDA



FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

SEPTEMBER 30, 2021

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, Florida, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 15, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 84 – *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and 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 schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole

Honorable Mayor and Members of the City Commission
City of Davenport, Florida.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2022, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.

Other Reporting Required by Chapter 10.550, Rules of the Auditor General

In accordance with Chapter 10.550, *Rules of the Auditor General*, we have issued our report dated June 25, 2022 on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of that report is to describe the scope of our examination and the issuance of an opinion on the City of Davenport, Florida’s compliance with requirements of Section 218.415, *Florida Statutes*.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 25, 2022

As management of the City of Davenport, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 11.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows on September 30, 2021 by \$58,356,873 (net position). Of this amount, \$9,054,441 (unrestricted net position) may be used to meet the City's ongoing obligations compared to \$5,495,687 at the end of the prior year.
- The change in the City's net position was \$14,814,922 for the year ended September 30, 2021 compared to \$8,617,875 in the prior year. Governmental activities increased net position by \$6,643,498 (41%) and the business-type activities increased net position by \$8,171,424 (30%) in the current year.
- Total revenue for all City activities for the year ended September 30, 2021 was \$24,460,910 a increase of 41% or \$7,148,932.
- Total expenses for all City activities for the year ended September 30, 2021 were \$9,645,988 an increase of 11% or \$951,885.
- As of September 30, 2021, the City's general fund reported ending combined unassigned and assigned fund balance of \$5,225,931 or 38% of total general fund expenditures compared to the prior year of \$4,216,636 or 61% of total general fund expenditures in the prior year.

UNDERSTANDING THE BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. Both statements represent an overview of the City as a whole, separating its operations between governmental and business-type activities. The governmental activities of the City include general government, police, fire, sanitation, streets, parks and recreation, cemetery management and interest on long-term debt. The business-type activities of the City consist of water, sewer, and storm water. All information is presented utilizing the economic resource measurement focus and accrual basis of accounting.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources with the residual measure reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net cost of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues.

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the City, rather than reporting on the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains one governmental fund, the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental fund financial statements can be found by referencing the table of contents of this report.

Proprietary Funds: The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses an enterprise fund to account for its water and sewer utilities and a separate enterprise fund to report the activity of its stormwater utility. The basic proprietary fund financial statements can be found by referencing the table of contents of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The City maintains two pension trust funds that are used to report resources held in trust for retirees and beneficiaries covered by the general employees' pension trust fund and the police officers' and firefighters' pension trust fund. Additionally, the City reports a custodial fund to account for certain fees collected on behalf of other governments.

All of the city's funds are considered major funds with the exception of the stormwater enterprise fund.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found by referencing the table of contents of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's general fund budgetary comparison schedule as well as a schedule of the net pension liability and related ratios, schedule of contributions and a schedule of investment returns for the City's pension trust funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position

The following table reflects a summary of net position compared to prior year. See the statement of net position by referencing the table of contents of this report for further information.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 15,548,569	\$ 10,422,855	\$ 18,073,659	\$ 11,320,986	\$ 33,622,228	\$ 21,743,841
Capital assets	15,640,019	8,802,418	29,487,840	21,613,814	45,127,859	30,416,232
Total assets	<u>31,188,588</u>	<u>19,225,273</u>	<u>47,561,499</u>	<u>32,934,800</u>	<u>78,750,087</u>	<u>52,160,073</u>
Deferred Outflows	71,706	53,458	12,989	-	84,695	53,458
Long-term liabilities	6,366,475	1,691,049	9,168,383	4,306,860	15,534,858	5,997,909
Other liabilities	1,715,068	1,203,846	3,036,030	1,442,323	4,751,098	2,646,169
Total liabilities	<u>8,081,543</u>	<u>2,894,895</u>	<u>12,204,413</u>	<u>5,749,183</u>	<u>20,285,956</u>	<u>8,644,078</u>
Deferred Inflows	174,598	23,181	17,355	4,321	191,953	27,502
Net position:						
Net investment in capital assets	9,024,164	7,923,967	19,807,579	16,604,946	28,831,743	24,528,913
Restricted	8,432,544	4,969,542	12,038,145	8,547,809	20,470,689	13,517,351
Unrestricted	<u>5,547,445</u>	<u>3,467,146</u>	<u>3,506,996</u>	<u>2,028,541</u>	<u>9,054,441</u>	<u>5,495,687</u>
Total net position	<u>\$ 23,004,153</u>	<u>\$ 16,360,655</u>	<u>\$ 35,352,720</u>	<u>\$ 27,181,296</u>	<u>\$ 58,356,873</u>	<u>\$ 43,541,951</u>

Approximately 49% percent of the City's net position reflects its investment in capital assets (land, buildings, improvements, infrastructure, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding, compared to 56% for the prior year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 35% of the City's net position represents resources that are subject to external restrictions on how they may be used, compared to 16% for the prior year. The remaining balance of unrestricted net position, \$9,054,441 or 13% of net position may be used to meet the City's ongoing obligations to citizens and creditors.

On September 30, 2021 and 2020, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF DAVENPORT, FLORIDA
Management's Discussion and Analysis
September 30, 2021

Statement of Activities

The following table reflects the condensed statement of activities for the current and previous year. See the statement of activities by referencing the table of contents of this report for further information.

	Statement of Activities (Summary)					
	For the year ended September 30,					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 4,141,880	\$ 2,796,089	\$ 4,046,953	\$ 3,196,303	\$ 8,188,833	\$ 5,992,392
Operating grants and contributions	244,056	240,137	-	-	244,056	240,137
Capital grants and contributions	3,006,150	1,684,338	6,997,201	4,694,277	10,003,351	6,378,615
<i>General revenues:</i>						
Property taxes	3,149,150	2,386,279	-	-	3,149,150	2,386,279
Franchise/Public Ser. Tax	1,468,774	1,280,128	-	-	1,468,774	1,280,128
Fuel taxes	294,401	259,849	-	-	294,401	259,849
State shared revenues	786,807	613,228	-	-	786,807	613,228
Other	323,269	104,733	2,269	56,617	325,538	161,350
Total revenues	13,414,487	9,364,781	11,046,423	7,947,197	24,460,910	17,311,978
Expenses:						
General government	1,865,054	1,776,701	-	-	1,865,054	1,776,701
Police	1,521,198	1,413,927	-	-	1,521,198	1,413,927
Fire	1,258,707	977,370	-	-	1,258,707	977,370
Code enforcement	63,369	59,780	-	-	63,369	59,780
Streets	646,111	596,404	-	-	646,111	596,404
Sanitation	751,507	608,256	-	-	751,507	608,256
Parks and recreation	633,382	608,041	-	-	633,382	608,041
Cemetery	6,273	7,473	-	-	6,273	7,473
Interest on long-term debt	25,388	16,568	-	-	25,388	16,568
Water	-	-	1,299,492	1,487,643	1,299,492	1,487,643
Sewer	-	-	1,409,176	1,034,463	1,409,176	1,034,463
Stormwater	-	-	166,331	107,477	166,331	107,477
Total expenses	6,770,989	6,064,520	2,874,999	2,629,583	9,645,988	8,694,103
Change in Net Position	6,643,498	3,300,261	8,171,424	5,317,614	14,814,922	8,617,875
Net position - October 1	16,360,655	13,230,349	27,181,296	21,897,573	43,541,951	35,127,922
Restatement	-	(169,955)	-	(33,891)	-	(203,846)
Net position - September 30	\$ 23,004,153	\$ 16,360,655	\$ 35,352,720	\$ 27,181,296	\$ 58,356,873	\$ 43,541,951

Governmental activities

Governmental activities increased the City's net position by \$6,022,401 during the current year. There were no transfers to or from the business-type activities in the current or prior year. In the prior year, net position increased by \$3,300,261. The cause of the increase from the prior year is due mainly to an increase in revenue of \$4,049,706 (43%) which was partially offset by a \$706,469 (12%) increase in expenses.

The main drivers of the increased revenue were as follows:

- Increased property tax revenue of \$762,871 (32%) due to increased property development and increasing property values.
- Increased charges for services of \$1,345,791 (48%) and increased capital grants and contributions of \$1,321,812 (78%) mainly due to increased building and development related fees.
- Increased other tax and state-shared revenue of \$396,777 (18%) due to increased general economic activity.

Expenses increased due to broad increases in costs or increased purchases. Personnel related expenses increased by \$540,185 (13%) in the governmental activities, spread relatively even across all functions.

Business-type activities

Business-type activities increased the City's net position by \$8,171,424 during the current year. There were no transfers to or from the business-type activities in the current or prior year. In the prior year, net position increased by \$5,317,614. The main reason for the increase in the change in net position in the current year as compared to the prior year is mainly due to a \$3,099,226 (39%) increase in revenue which was partially offset by a \$245,416 (9%) increase in expenses.

The main drivers of the increased revenue were as follows:

- Increased charges for services of \$850,650 (27%) as additional construction within the City has added customers to the City utilities.
- Increased capital grants and contributions of \$2,302,924 (49%) due to increased impact fees of \$1,189,838 (45%), increased grants of \$281,733 (14%) and the donation of water and sewer infrastructure of \$831,352.

Expenses increased due to broad increases in costs or increased purchases. Personnel related expenses increased by \$125,567 (14%) in the business-type activities, spread relatively even across all functions.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Fund

As of September 30, 2021, the City's general fund reported combined ending fund balance of \$13,748,934. This is an increase of \$4,576,287 from last year. Approximately 38% of the total fund balance constitutes unassigned and assigned fund balance (i.e. available for spending at the City's discretion) which is an increase in unassigned and assigned fund balance of \$1,000,295 (24%) from last year. The remainder of fund balance totaling \$8,523,003 is nonspendable, restricted or committed for the specific purpose for which the monies were collected.

In the general fund, the City's expenditures exceeded its revenue by \$640,688 as compared to revenue exceeding expenditures by \$2,490,728 in the prior year. Total revenues were up \$3,812,887 (41%) over the prior year and expenditures increased \$6,944,303 (101%) from 2020. The cause of the increase in revenue is because of continued residential construction activity that drove tax revenue \$1,034,760 higher and licenses and permit fees \$1,602,470 higher. Expenditures increased mainly due to a \$6,165,210 increase in capital outlay expenditures, most of which was due to the construction of a new community center. The community center project was mainly funded by a long-term debt issuance of \$5,000,000 that is not reported as a *revenue* rather as an *other financing source* on the governmental funds statement of revenues, expenditures and changes in fund balance.

Proprietary Funds

The City has two proprietary funds, an enterprise fund which provides water and sewer collection and treatment services and a non-major enterprise fund to report the activity of the City’s stormwater utility. The water and wastewater enterprise fund generated an operating profit of \$1,222,453 in the current year as compared to an operating loss of \$585,824 for the prior year. The main reason for the increase in operational results of the water and wastewater enterprise fund is increased charges for services revenue of \$824,857 (27%) related to connecting new customers to the City’s water and wastewater systems. The increase in operating revenues was partially offset by a smaller increase in operating expenses of \$188,228 (8%).

ANALYSIS OF SIGNIFICANT BUDGET VARIANCES – GENERAL FUND

The City adopts an annual budget each year in September. The budgetary comparison statement is presented for the general fund to demonstrate compliance with the budget which can be found by referencing the table of contents of this report.

The 2021 budget was amended to increase budgeted resources (revenues and other financing sources) by \$412,715 (3%) and to increase budgeted outflows (expenditures) by \$392,715 (3%). Budgetary resources received were \$5,435,440 more than the final budgeted amount and budgetary charges to appropriation were \$601,877 less than the budgeted amount mainly due to capital project related expenditures that were less than the budgeted amounts. This resulted in an overall favorable budgetary variance for 2021 of \$6,037,317.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, and equipment. The City elected to record and depreciate its infrastructure, rather than use the optional “modified approach”. Additional information on the City’s capital assets can be found in Note 5 of the notes to the financial statements which can be found by referencing the table of contents of this report.

The following table presents a comparison of the capital assets for the current and previous year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 370,903	\$ 370,903	\$ 1,020,361	\$ 680,442	\$ 1,391,264	\$ 1,051,345
Buildings and improvements	4,178,790	4,364,438	24,006,645	13,636,906	28,185,435	18,001,344
Equipment	1,133,237	1,123,344	630,795	570,804	1,764,032	1,694,148
Infrastructure	2,395,305	2,467,568	-	-	2,395,305	2,467,568
Construction in progress	7,561,784	476,165	3,830,039	6,725,662	11,391,823	7,201,827
Total	<u>\$ 15,640,019</u>	<u>\$ 8,802,418</u>	<u>\$ 29,487,840</u>	<u>\$ 21,613,814</u>	<u>\$ 45,127,859</u>	<u>\$ 30,416,232</u>

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$45,127,859 (net of accumulated depreciation). That is an increase of \$14,711,627 or 48% from the prior year.

Long-term debt – The following table presents a comparison of revenue bonds and notes payable for the current and previous year. Further information on long-term obligations is contained in Note 6 of the notes to the financial statements which can be found by referencing the table of contents of this report.

Revenue Notes and Notes Payable
 as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue notes	\$ 5,790,612	\$ 878,451	\$ 9,076,690	\$ 4,219,280	\$ 14,867,302	\$ 5,097,731
Other liabilities	575,863	812,598	91,693	87,580	667,556	900,178
Less amount due in one year	(183,796)	(30,000)	(248,021)	(135,493)	(431,817)	(165,493)
Total	\$ 6,182,679	\$ 1,661,049	\$ 8,920,362	\$ 4,171,367	\$ 15,103,041	\$ 5,832,416

At the end of the current fiscal year, the governmental activities had total long-term obligations outstanding of \$6,366,475 of which \$245,297 pertains to compensated absences, \$9,282 pertains to the City’s net pension liabilities and \$321,284 pertains to the total OPEB liability and the total of notes payable from above of \$5,790,612.

The Business-type Activities had total long-term obligations outstanding of \$9,168,383 which is a net increase of \$4,861,523 (113%) over the prior year. The increase was due to current year borrowings for water and wastewater system improvements of \$5,044,495 which was partially offset by principal reductions of \$187,085 due to normal principal payment. The business-type activities also report \$43,427 of compensated absences and a total OPEB liability of \$48,266.

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

Once again, the City of Davenport is the fastest growing community in Polk County, one of the fastest growing in the state of Florida and has made several national lists concerning growth across the country. Over the past several years the City has built in excess of 1,000 new homes and this trend is expected to continue into the near future. The City’s population has more than doubled since the 2010 Census to over 6,000 annual residences. The City has a significant short-term rental base because of its proximity to Disney World and other local attractions. The City’s property values continue to climb at a rate of approximately 26% annually from 2021 to 2022, with a current value of \$545,445,314 (2022). In correlation with growth, this trend is expected to continue. Future annexation plans are expected which will see the City expand geographically as well.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Davenport’s finances and to demonstrate the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City of Davenport, Finance Department, P. O. Box 125, Davenport, FL 33896 or call 863-419-3300.

CITY OF DAVENPORT, FLORIDA
Government-Wide Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,441,768	\$ 4,576,984	\$ 11,018,752
Receivables, current:			
Intergovernmental	298,073	414,791	712,864
Franchise and public service taxes	128,078	-	128,078
Customer accounts, net	51,545	341,400	392,945
Prepaid expenses	102,916	20,963	123,879
Restricted assets:			
Cash and cash equivalents	8,441,622	12,682,370	21,123,992
Net pension asset	84,567	37,151	121,718
Capital Assets:			
Non-depreciable	7,932,687	4,850,400	12,783,087
Depreciable, net	7,707,332	24,637,440	32,344,772
TOTAL ASSETS	<u>31,188,588</u>	<u>47,561,499</u>	<u>78,750,087</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	71,706	12,989	84,695
LIABILITIES			
Accounts payable	638,504	217,823	856,327
Accrued payroll	145,283	29,405	174,688
Construction payable	825,243	603,571	1,428,814
Due to other governments	41,685	42	41,727
Unearned revenue	-	1,503,813	1,503,813
Accrued interest payable	-	16,072	16,072
Customer deposits	64,353	665,304	729,657
Long-term obligations:			
Due within one year	183,796	248,021	431,817
Due in more than one year	6,182,679	8,920,362	15,103,041
TOTAL LIABILITIES	<u>8,081,543</u>	<u>12,204,413</u>	<u>20,285,956</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	174,598	17,355	191,953
NET POSITION			
Net investment in capital assets	9,024,164	19,807,579	28,831,743
Restricted for:			
Debt service	-	89,257	89,257
Parks and recreation improvements (impact fees)	2,236,439	-	2,236,439
Fire protection improvements (impact fees)	524,269	-	524,269
Law enforcement improvements (impact fees)	466,964	-	466,964
Public building improvements (impact fees)	632,976	-	632,976
Transportation infrastructure (impact fees)	1,303,940	-	1,303,940
Building code enforcement	3,173,601	-	3,173,601
Crime prevention	9,788	-	9,788
Pension benefits	84,567	37,151	121,718
Water system improvements (impact fees)	-	4,871,897	4,871,897
Wastewater system improvements (impact fees)	-	7,039,840	7,039,840
Unrestricted	5,547,445	3,506,996	9,054,441
TOTAL NET POSITION	<u>\$ 23,004,153</u>	<u>\$ 35,352,720</u>	<u>\$ 58,356,873</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA
Government-Wide Statement of Activities
for the year ended September 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 1,865,054	\$ 3,132,187	\$ 77,698	\$ 286,267	\$ 1,631,098	\$ -	\$ 1,631,098
Police	1,521,198	67,929	122,076	274,720	(1,056,473)	-	(1,056,473)
Fire	1,258,707	-	44,282	339,977	(874,448)	-	(874,448)
Code enforcement	63,369	-	-	-	(63,369)	-	(63,369)
Streets	646,111	8,092	-	439,561	(198,458)	-	(198,458)
Sanitation	751,507	884,037	-	-	132,530	-	132,530
Parks and recreation	633,382	10,525	-	1,665,625	1,042,768	-	1,042,768
Cemetery	6,273	39,110	-	-	32,837	-	32,837
Interest on long-term debt	25,388	-	-	-	(25,388)	-	(25,388)
Total governmental activities	6,770,989	4,141,880	244,056	3,006,150	621,097	-	621,097
Business-type activities							
Water utility	1,299,492	2,539,636	-	4,446,554	-	5,686,698	5,686,698
Sewer utility	1,409,176	1,322,196	-	2,550,647	-	2,463,667	2,463,667
Stormwater utility	166,331	185,121	-	-	-	18,790	18,790
Total business-type activities	2,874,999	4,046,953	-	6,997,201	-	8,169,155	8,169,155
TOTAL PRIMARY GOVERNMENT	\$ 9,645,988	\$ 8,188,833	\$ 244,056	\$ 10,003,351	621,097	8,169,155	8,790,252
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					3,149,150	-	3,149,150
Franchise taxes					514,244	-	514,244
Public service taxes					954,530	-	954,530
Fuel taxes for transportation purposes					294,401	-	294,401
State shared revenue					786,807	-	786,807
Investment earnings					23,313	-	23,313
Gain (loss) on disposal of property					65,000	-	65,000
Other revenues					234,956	2,269	237,225
Total general revenues					6,022,401	2,269	6,024,670
Change in net position					6,643,498	8,171,424	14,814,922
NET POSITION, beginning of year					16,360,655	27,181,296	43,541,951
NET POSITION, end of year					\$ 23,004,153	\$ 35,352,720	\$ 58,356,873

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA
 Balance Sheet – Governmental Fund
 September 30, 2021

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,441,768
Receivables, current:	
Intergovernmental	298,073
Franchise and public service taxes	128,078
Customer accounts, net	51,545
Prepaid expenditures	102,916
Restricted assets:	
Cash and cash equivalents	8,441,622
TOTAL ASSETS	<u>\$ 15,464,002</u>
LIABILITIES	
Accounts payable	638,504
Construction costs payable	825,243
Accrued payroll	145,283
Due to other governments	41,685
Customer deposits	64,353
TOTAL LIABILITIES	<u>1,715,068</u>
FUND BALANCE	
Nonspendable:	
Prepaid expenditures	\$ 102,916
Restricted:	
Parks and recreation improvements (impact fees)	2,236,439
Fire protection improvements (impact fees)	524,269
Law enforcement improvements (impact fees)	466,964
Public building improvements (impact fees)	632,976
Transportation infrastructure (impact fees)	1,303,940
Building code enforcement	3,173,601
Crime prevention	9,788
Committed for:	
Cemetery perpetual care	72,110
Assigned for:	
Fire department	7,970
Police department	1,773
Unassigned	5,216,188
TOTAL FUND BALANCE	<u>13,748,934</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 15,464,002</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position

September 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 13,748,934

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 15,640,019

The net pension asset is not a current financial resource and therefore are not reported as assets in the governmental funds. 84,567

Deferred outflows of resources represent a decrease in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds. 71,706

Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds. (174,598)

Long-term liabilities, including bonds and notes payable, compensated absences and the City's net pension liabilities are not due and payable in the current period and therefore they are not reported in the governmental funds. (6,366,475)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 23,004,153

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDAStatement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund
for the year ended September 30, 2021

	General Fund
REVENUES:	
Taxes	\$ 5,077,382
Licenses and permits	3,664,857
Intergovernmental revenue	846,914
Charges for services	1,065,854
Fines and forfeitures	33,268
Impact fees	2,312,076
Other	197,159
Total revenues	<u>13,197,510</u>
EXPENDITURES:	
Current:	
General government	1,747,370
Public safety	2,673,811
Physical environment	754,919
Transportation	418,730
Culture/recreation	531,788
Capital outlay	7,597,695
Debt service	113,885
Total expenditures	<u>13,838,198</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(640,688)</u>
OTHER FINANCING SOURCES (USES)	
Loan proceeds	5,000,000
Insurance proceeds	216,975
Total other financing sources (uses)	<u>5,216,975</u>
NET CHANGE IN FUND BALANCE	4,576,287
FUND BALANCE, beginning of year	<u>9,172,647</u>
FUND BALANCE, end of year	<u>\$ 13,748,934</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDAReconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities
for the year ended September 30, 2021**Amounts reported for governmental activities in the statement of net activities are different because:****NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 4,576,287

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

This is the amount of capital assets recorded in the current period. 7,514,891
This is the amount of depreciation expense recorded in the current period. (677,290)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

This is the repayment of bond principal during the year. 87,839
This is the amount of new debt issued during the year. (5,000,000)

Other long-term obligations are reported in the government-wide statement of net position as liabilities, but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources and therefore are reported as revenues when received and expenditures when paid.

This is the change in accrued compensated absences during the year. (38,179)
This is the change in the total OPEB liability during the year. (56,526)
This is the change in accrued interest payable during the year.

Pension expense is reported in the statement of activities which differs from pension expenditures as reported in the governmental funds:

This amount represents the change in deferred outflows related to pensions. 18,248
This amount represents the change in deferred inflows related to pensions. (151,417)
This amount represents the change in the net pension asset. 38,205
This amount represents the change in the net pension liability. 331,440

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,643,498

CITY OF DAVENPORT, FLORIDA
Statement of Net Position – Proprietary Funds
September 30, 2021

	Business-type Activities - Enterprise Funds		
	Water and	Non-major	Total
	Wastewater	Stormwater	Enterprise
	Fund	Fund	Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,567,795	\$ 9,189	\$ 4,576,984
Customer accounts receivable, net	341,400	-	341,400
Due from other governments	414,791	-	414,791
Prepaid expenses	19,717	1,246	20,963
Total current assets	<u>5,343,703</u>	<u>10,435</u>	<u>5,354,138</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	12,663,529	18,841	12,682,370
Net pension asset	37,151	-	37,151
Capital assets:			
Non-depreciable	4,637,865	212,535	4,850,400
Depreciable, net	24,198,171	439,269	24,637,440
Total noncurrent assets	<u>41,536,716</u>	<u>670,645</u>	<u>42,207,361</u>
TOTAL ASSETS	<u>46,880,419</u>	<u>681,080</u>	<u>47,561,499</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	<u>12,989</u>	<u>-</u>	<u>12,989</u>
LIABILITIES			
Current liabilities:			
Accounts payable	193,435	24,388	217,823
Construction payable	603,571	-	603,571
Accrued payroll	27,630	1,775	29,405
Due to other governments	42	-	42
Unearned revenue	1,503,813	-	1,503,813
Bonds and notes payable, current	217,278	30,743	248,021
Total current liabilities	<u>2,545,769</u>	<u>56,906</u>	<u>2,602,675</u>
Noncurrent liabilities:			
Compensated absences	39,648	3,779	43,427
Liabilities payable from restricted assets:			
Accrued interest payable	15,896	176	16,072
Customer deposits	665,304	-	665,304
OPEB liability payable	42,915	5,351	48,266
Bonds and notes payable, noncurrent portion	8,764,992	63,677	8,828,669
Total noncurrent liabilities	<u>9,528,755</u>	<u>72,983</u>	<u>9,601,738</u>
TOTAL LIABILITIES	<u>12,074,524</u>	<u>129,889</u>	<u>12,204,413</u>
DEFERRED INFLOWS			
Pension related	<u>17,355</u>	<u>-</u>	<u>17,355</u>
NET POSITION			
Net investment in capital assets	19,250,195	557,384	19,807,579
Restricted (expendable) for:			
Revenue bond retirement	70,592	18,665	89,257
Pension benefits	37,151	-	37,151
Water system improvements (impact fees)	4,871,897	-	4,871,897
Sewer system improvements (impact fees)	7,039,840	-	7,039,840
Unrestricted	3,531,854	(24,858)	3,506,996
TOTAL NET POSITION	<u>\$ 34,801,529</u>	<u>\$ 551,191</u>	<u>\$ 35,352,720</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
for the year ended September 30, 2021

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Non-major Stormwater Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 3,861,832	\$ 185,121	\$ 4,046,953
Total operating revenues	3,861,832	185,121	4,046,953
OPERATING EXPENSES:			
Personnel services	683,223	57,198	740,421
Operating expenses	1,354,516	90,844	1,445,360
Depreciation expense	601,640	15,742	617,382
Total operating expenses	2,639,379	163,784	2,803,163
OPERATING PROFIT	1,222,453	21,337	1,243,790
NONOPERATING REVENUE (EXPENSE)			
Interest expense	(69,289)	(2,547)	(71,836)
Other revenue	2,269	-	2,269
Total nonoperating revenues (expense)	(67,020)	(2,547)	(69,567)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,155,433	18,790	1,174,223
CAPITAL CONTRIBUTIONS			
Grants	2,357,970	-	2,357,970
Impact fees	3,807,879	-	3,807,879
Donated infrastructure	831,352	-	831,352
Total capital contributions	6,997,201	-	6,997,201
CHANGE IN NET POSITION	8,152,634	18,790	8,171,424
NET POSITION, beginning of year	26,648,895	532,401	27,181,296
NET POSITION, end of year	\$ 34,801,529	\$ 551,191	\$ 35,352,720

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Statement of Cash Flows – Proprietary Funds
for the year ended September 30, 2021

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Non-major Stormwater Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,936,305	\$ 185,121	\$ 4,121,426
Other cash receipts	2,269	-	2,269
Payments to suppliers	(1,286,755)	(71,918)	(1,358,673)
Payments for salaries and benefits	(701,761)	(46,293)	(748,054)
Net cash flows from operating activities	<u>1,950,058</u>	<u>66,910</u>	<u>2,016,968</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets, net of related payables	(7,800,743)	(45,330)	(7,846,073)
Loan proceeds	5,044,495	-	5,044,495
Principal paid on long-term debt	(157,013)	(30,072)	(187,085)
Interest paid on borrowings	(69,678)	(2,604)	(72,282)
Impact fees received	3,807,879	-	3,807,879
Capital grants received, net of change in related receivable	4,091,604	-	4,091,604
Net cash flows from capital and related financing activities	<u>4,916,544</u>	<u>(78,006)</u>	<u>4,838,538</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>6,866,602</u>	<u>(11,096)</u>	<u>6,855,506</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,364,722</u>	<u>39,126</u>	<u>10,403,848</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 17,231,324</u>	<u>\$ 28,030</u>	<u>\$ 17,259,354</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,222,453	21,337	\$ 1,243,790
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	601,640	15,742	617,382
Nonoperating payments reported as operating cash flows	2,269	-	2,269
(Increase) decrease in accounts receivable	(87,132)	-	(87,132)
(Increase) decrease in prepaid expenses	(19,717)	(1,246)	(20,963)
Increase (decrease) in customer deposits	161,605	-	161,605
Increase (decrease) in accounts payable	87,478	20,172	107,650
Increase (decrease) in accrued wages and comp absences	10,191	5,554	15,745
Increase (decrease) in the total OPEB liability	(9,881)	5,351	(4,530)
(Increase) decrease in deferred outflows related to pensions	(12,989)	-	(12,989)
Increase (decrease) in deferred inflows related to pensions	13,034	-	13,034
(Increase) decrease in the net pension asset	(18,893)	-	(18,893)
Net cash flows from operating activities	<u>\$ 1,950,058</u>	<u>\$ 66,910</u>	<u>\$ 2,016,968</u>
As shown in the Accompanying Financial Statements			
Cash and cash equivalents	\$ 4,567,795	\$ 9,189	\$ 4,576,984
Restricted cash and cash equivalents	12,663,529	18,841	12,682,370
Total cash and cash equivalents	<u>\$ 17,231,324</u>	<u>\$ 28,030</u>	<u>\$ 17,259,354</u>
Noncash financing and investing activities:			
Donated infrastructure capital assets	<u>\$ 831,352</u>	<u>\$ -</u>	<u>\$ 831,352</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Statement of Fiduciary Net Position – Fiduciary Funds

September 30, 2021

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 5,952,925
Receivables:		
State	165,058	-
Members	119	-
Total receivables	<u>165,177</u>	<u>-</u>
Investments:		
Short-term money market fund	57,150	-
Fixed income mutual fund	614,042	-
Equity mutual funds	1,051,651	-
Total investments	<u>1,722,843</u>	<u>-</u>
Total assets	<u>1,888,020</u>	<u>5,952,925</u>
LIABILITIES		
Accounts payable	7,064	-
Benefits and refunds payable	-	-
Due to other governments	-	5,952,925
Total liabilities	<u>7,064</u>	<u>5,952,925</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 1,880,956</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDAStatement of Changes in Fiduciary Net Position – Fiduciary Funds
for the year ended September 30, 2021

	Pension Trust Funds	Custodial Fund
ADDITIONS		
Contributions:		
City	\$ 497,240	\$ -
Plan members	140,202	-
State of Florida	165,058	-
Fee collected on behalf of other governments	-	8,459,447
Total contributions	<u>802,500</u>	<u>8,459,447</u>
Investment income	<u>218,910</u>	-
Less: investment expenses		
Custodial fees	8,000	-
Performance evaluation	6,250	-
Total investment expenses	<u>14,250</u>	-
Net investment income	<u>204,660</u>	-
Total additions	<u>1,007,160</u>	<u>8,459,447</u>
DEDUCTIONS		
Administrative expenses:		
Legal	9,764	-
Administrator fee	21,600	-
Actuarial	30,352	-
Total administrative expenses	<u>61,716</u>	-
Refunds of member contributions	25,230	-
Remittance of fees to other governments	-	8,459,447
Total deductions	<u>86,946</u>	<u>8,459,447</u>
CHANGE IN NET POSITION	920,214	-
NET POSITION, beginning of year	<u>960,742</u>	-
NET POSITION, end of year	<u>\$ 1,880,956</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City of Davenport, Florida (the "City") is a Municipal Corporation incorporated in 1925 by Chapter 10463, Laws of Florida. The Corporation operates under a charter form of government created by an unnumbered City Ordinance dated November 11, 1975, and most recently recodified and readopted by Ordinance No. 596 in 1978, Ordinance No. 93-7 in 1993 and again in 2008 by Ordinance No. 638. The City is governed by a board of five elected commission members. These financial statements include all of the funds, organizations, agencies and departments of the City (the "primary government") and any legally separate entities ("component units") required by generally accepted accounting principles to be included in the reporting entity.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Criteria for determining if other entities are potential component units of the City which should be reported with the City's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

Blended Component Units: The City reports two fiduciary component units, which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. These are the General Employees' Pension Trust Fund and the Police Officers and Fire Fighters Pension Trust Fund. They are reported as part of the City and blended in the City's fiduciary funds section.

B. BASIC FINANCIAL STATEMENTS

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

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

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

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

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. The City maintains one non-major fund, the stormwater enterprise fund. The various funds are reported by type within the financial statements.

The following fund types and funds are used and reported by the City:

a) Governmental Funds:

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

- **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b) Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the major proprietary (enterprise) funds of the City:

- **Water and Wastewater Enterprise Fund:** accounts for the activities of the City's water production and distribution operations and the wastewater collection and treatment systems.
- **Stormwater Enterprise fund:** accounts for the activities of the City's stormwater management utility. This is a non-major fund.

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

c) Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The City's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City reports the following fiduciary funds:

- Pension Trust Funds: The City has two pension trust funds which accumulate resources to provide retirement benefits to City employees. The two pension trust funds are the General Employees' Pension Trust Fund and the Police Officers' and Firefighters' Pension Trust Fund.
- Custodial Fund: The custodial fund is to account for impact fees collected on behalf of Polk County, Florida (the "County"). These funds are collected on behalf of the County as new construction takes place within the City and then periodically remitted to the County.

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as solid waste collection, water and sewer. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS – The City maintains a central pooled cash account that is used by all operating funds of the City. Interest income earned in the pooled cash account is allocated to the funds. Each fund's equity in pooled cash is recorded on its respective balance sheet or statement of net position in the financial statement caption "cash and cash equivalents" and includes all short-term highly liquid investments with a maturity of three months or less when purchased, including all bank demand deposits, certificates of deposit, money-market and savings accounts. On September 30, 2021, all of the City's cash and investments met this definition.

RESTRICTED ASSETS - Include cash and investments that are legally restricted to specific uses by external parties or enabling legislation. The City generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

CUSTOMER ACCOUNTS RECEIVABLE - The City accrues the unbilled service of its enterprise fund, which represents the estimated value of service from the last billing date to year end and totaled approximately \$177,000 at September 30, 2021. A reserve for doubtful accounts is maintained in the enterprise fund and the general fund equal to the amount of the utility customer receivables that are not expected to be collected. As of September 30, 2021, the allowance for doubtful accounts associated with the receivables of the enterprise fund and the general fund totaled \$45,190 and \$14,390 respectively.

INTERFUND BALANCES - To the extent any interfund balances exist, management anticipates that they will be settled in cash as opposed to a permanent transfer.

INVENTORY - Inventories are not reported as they are insignificant.

CAPITAL ASSETS - In the government-wide financial statements, capital assets include land, buildings, improvements, utility plant, infrastructure and furniture and equipment. Capital assets are defined by City policy as tangible property with an individual cost of \$750 or more and an estimated useful life in excess of one year. The City passed Resolution 464-21 amending the capitalization threshold to \$5,000 effective October 1, 2021. Such assets are recorded at historical cost, if purchased, and at acquisition value at date of gift, if donated. Maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting systems), acquired prior to October 1, 2003, have not been reported.

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

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

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Buildings and improvements	5-40
Utility plant in service	15-40
Machinery and equipment	3-15
Infrastructure:	
Streets	20-60
Drainage	50

INTEREST COSTS - Interest costs incurred before the end of a construction period is a financing activity separate from the related capital asset and interest costs incurred before the end of the construction period are recognized as an expense in the period in which the cost is incurred. These interest costs are not capitalized as part of the historical cost of the capital asset.

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

COMPENSATED ABSENCES - The City’s policies permit employees to accumulate vacation and sick time up to certain limits and to be compensated for their vacation and sick pay accumulation upon termination of employment. The liability for compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

CONNECTION FEES AND IMPACT FEES - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received which reserve capacity in the City’s future water or sewer facilities are deferred and reported as capital contributions when the requirements of the developer agreements are met by the City.

INTERFUND TRANSFERS - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual funds within a fund type are eliminated.

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time.

The City has one item that qualifies for reporting as deferred outflows of resources. That item is the deferred outflows related to pensions. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized in pension expense in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has one item that qualifies for reporting as deferred inflows of resources. That item is the deferred inflows related to pensions. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as a reduction to pension expense in future reporting years.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS - The City receives on-behalf payments from the State of Florida to be used for Police Officers' and Firefighters' Pension Trust Fund contributions which totaled \$165,058 for the fiscal year ended September 30, 2021. Such payments are recorded as a component of tax revenue and public safety expenses/expenditures in the government-wide and general fund financial statements.

PENSION COSTS - The actuarially determined provision for pension costs is recorded on an accrual basis in the period for which the costs pertain, and the City's policy is to fund pension costs as they accrue.

EQUITY CLASSIFICATIONS -

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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

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

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

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

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

Unassigned — this classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not nonspendable, restricted, committed, or assigned.

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

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special districts, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2021 was 7.50.

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

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Ordinance on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. The City's Charter specifies that the City Manager has the authority to transfer unencumbered appropriation balances within a department; however, any transfers beyond this level must be done by City Ordinance. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS -The City's deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08. Florida Statutes.

INVESTMENTS - CITY - The types of investments in which the City may invest are governed by City ordinance, which defers to Florida Statutes Chapter 218.415, which permits investments in the Local Government Surplus Trust Fund, direct obligations of the U.S. Treasury, interest-bearing time deposits or savings accounts in qualified public depositories, S.E.C. registered money market funds with the highest credit rating.

The captions on the government-wide statement of net position for "cash and cash equivalents", both restricted and unrestricted, were insured or fully collateralized bank deposits. There were no investment securities maintained during the year other than in the City's pension trust funds.

NOTE 4 - DEPOSITS AND INVESTMENTS (cont...)

INVESTMENTS – PENSION TRUST FUND – Investment authority for the City’s pension trust funds is delegated to the individual pension’s board of trustees via City ordinance and permits for any investments allowable under the provisions of Florida Statutes Chapters 112, 175 and 185, as applicable. The individual board of trustees have adopted an investment policy that limits investments in foreign securities to a maximum of 25% of plan assets (at market value), limits the investments in equity securities to a maximum of 70% of plan assets (at market value) and a maximum investment in real estate of 15% of the plan assets (at cost).

Investment valuation - Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. All other investments are stated at fair value and are categorized using the fair value hierarchy established by GASB Cod. Sec. 3100 and are recorded as of the trade date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The investment securities held by the City's pension trust funds have the following carrying values as of September 30, 2021, based upon the measurement criteria as specified.

General Employees’ Pension Trust Fund:

	September 30, 2021	Level 1	Level 2	Level 3
Investments at fair value:				
Fixed income mutual fund	\$ 283,535	\$ 283,535	\$ -	\$ -
Equity mutual funds	476,065	476,065	-	-
Total investments at fair value	<u>759,600</u>	<u>\$ 759,600</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost				
Short-term money market fund	<u>31,111</u>			
Total investments	<u>\$ 790,711</u>			

Police Officers’ and Firefighters’ Pension Trust Fund:

	September 30, 2021	Level 1	Level 2	Level 3
Investments at fair value:				
Fixed income mutual fund	\$ 330,507	\$ 330,507	\$ -	\$ -
Equity mutual funds	575,586	575,586	-	-
Total investments at fair value	<u>906,093</u>	<u>\$ 906,093</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost				
Short-term money market fund	<u>26,039</u>			
Total investments	<u>\$ 932,132</u>			

NOTE 4 - DEPOSITS AND INVESTMENTS (cont...)

Interest rate and credit risk – While the City’s pension trust funds’ have an investment policy, they do not have a specific policy to address interest rate or credit risk. Information related to interest rate and credit risk for the pension trust funds’ fixed income investments is summarized below.

General Employees’ Pension Trust Fund:

Investment Type	S&P Rating	Fair Value/ Amortized Cost	Weighted Average Maturity (Years)
Short-term money market fund	Not Rated	\$ 31,111	0.07
Fixed income mutual funds	Not Rated	283,535	6.67
Total		\$ 314,646	

Police Officers’ and Firefighters’ Pension Trust Fund:

Investment Type	S&P Rating	Fair Value/ Amortized Cost	Weighted Average Maturity (Years)
Short-term money market fund	Not Rated	\$ 26,039	0.07
Fixed income mutual funds	Not Rated	330,507	6.89
Total		\$ 356,546	

Concentration of credit risk - The City’s pension trust funds’ investment policies states that the plans’ assets shall be diversified to reduce the risk of large losses. The plans did not hold investments in any one organization that represented 5% or more of the plan’s fiduciary net position as of September 30, 2021 (excluding investments issued or explicitly guaranteed by the U.S. government or those in pooled investments).

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Transfers	Increases	Decreases	Balance September 30, 2021
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 370,903	\$ -	\$ -	\$ -	\$ 370,903
Construction-in-progress	476,165	-	7,085,619	-	7,561,784
Total capital assets, not being depreciated	<u>847,068</u>	<u>-</u>	<u>7,085,619</u>	<u>-</u>	<u>7,932,687</u>
Capital assets, being depreciated:					
Buildings & improvements	6,020,926	-	48,858	-	6,069,784
Equipment	2,858,105	-	305,737	-	3,163,842
Infrastructure:					
Road network	2,312,458	-	74,677	-	2,387,135
Sidewalk network	814,610	-	-	-	814,610
Total capital assets, being depreciated	<u>12,006,099</u>	<u>-</u>	<u>429,272</u>	<u>-</u>	<u>12,435,371</u>
Less accumulated depreciation for:					
Buildings & improvements	(1,656,488)	-	(234,506)	-	(1,890,994)
Equipment	(1,734,761)	-	(295,844)	-	(2,030,605)
Infrastructure:					
Road network	(403,609)	-	(107,234)	-	(510,843)
Sidewalk network	(255,891)	-	(39,706)	-	(295,597)
Total accumulated depreciation	<u>(4,050,749)</u>	<u>-</u>	<u>(677,290)</u>	<u>-</u>	<u>(4,728,039)</u>
Total capital assets being depreciated, net	<u>7,955,350</u>	<u>-</u>	<u>(248,018)</u>	<u>-</u>	<u>7,707,332</u>
Governmental activities capital assets, net	<u>\$ 8,802,418</u>	<u>\$ -</u>	<u>\$ 6,837,601</u>	<u>\$ -</u>	<u>\$ 15,640,019</u>
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 680,442	\$ -	\$ 339,919	\$ -	\$ 1,020,361
Construction-in-progress	6,725,662	(9,720,190)	6,824,567	-	3,830,039
Total capital assets, not being depreciated	<u>7,406,104</u>	<u>(9,720,190)</u>	<u>7,164,486</u>	<u>-</u>	<u>4,850,400</u>
Capital assets, being depreciated:					
Buildings and improvements	19,961,711	9,720,190	1,170,418	-	30,852,319
Equipment	819,245	-	156,504	-	975,749
Total capital assets, being depreciated	<u>20,780,956</u>	<u>9,720,190</u>	<u>1,326,922</u>	<u>-</u>	<u>31,828,068</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,324,805)	-	(520,869)	-	(6,845,674)
Equipment	(248,441)	-	(96,513)	-	(344,954)
Total accumulated depreciation	<u>(6,573,246)</u>	<u>-</u>	<u>(617,382)</u>	<u>-</u>	<u>(7,190,628)</u>
Total capital assets being depreciated, net	<u>14,207,710</u>	<u>9,720,190</u>	<u>709,540</u>	<u>-</u>	<u>24,637,440</u>
Business-type activities capital assets, net	<u>\$ 21,613,814</u>	<u>\$ -</u>	<u>\$ 7,874,026</u>	<u>\$ -</u>	<u>\$ 29,487,840</u>

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	110,798
Law enforcement		143,364
Fire protection		97,441
Roads and streets		221,711
Parks and recreation		101,115
Cemetery		2,861
Total depreciation expense - governmental activities	\$	<u>677,290</u>

Business-type Activities:

Water	\$	280,686
Sewer		320,954
Stormwater		15,742
Total depreciation expense - business-type activities	\$	<u>617,382</u>

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2021:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term debt:					
Notes payable:					
Capital improvement revenue note, series 2011	\$ 305,078	\$ -	\$ (27,484)	\$ 277,594	\$ 30,000
Capital improvement revenue note, series 2020	573,373	-	(60,355)	513,018	60,355
Capital improvement revenue note, series 2020A	-	5,000,000	-	5,000,000	93,441
Total long-term debt	<u>878,451</u>	<u>5,000,000</u>	<u>(87,839)</u>	<u>5,790,612</u>	<u>183,796</u>
Other liabilities:					
Compensated absences	207,118	38,179	-	245,297	-
Total OPEB liability	264,758	56,526	-	321,284	-
Net pension liabilities	340,722	-	(331,440)	9,282	-
Total long-term liabilities	<u>\$ 1,691,049</u>	<u>\$ 5,094,705</u>	<u>\$ (419,279)</u>	<u>6,366,475</u>	<u>\$ 183,796</u>
Less amounts due in one year				(183,796)	
Net long-term liabilities due after one year				<u>\$ 6,182,679</u>	
<u>Business-type Activities:</u>					
Long-term debt:					
Revenue certificates (State Revolving Fund Loans):					
Loan - DW5312010	\$ 53,952	\$ -	\$ (3,982)	\$ 49,970	\$ 4,105
Loan - DW5312020	1,166,550	-	(108,843)	1,057,707	111,901
Loan - DW530700	427,540	-	(44,189)	383,351	44,984
Loan - SW120 86503P	124,492	-	(30,071)	94,421	30,743
Loan - WW530710	132,521	737	-	133,258	-
Loan - DW530701	1,823,238	3,261,560	-	5,084,798	35,788
Loan - WW530720	259,561	391,834	-	651,395	20,500
Loan - WW530712	231,426	1,390,364	-	1,621,790	-
Total long-term debt	<u>4,219,280</u>	<u>5,044,495</u>	<u>(187,085)</u>	<u>9,076,690</u>	<u>248,021</u>
Other liabilities:					
Compensated absences	34,784	8,643	-	43,427	-
Total OPEB liability	52,796	-	(4,530)	48,266	-
Total long-term liabilities	<u>\$ 4,306,860</u>	<u>\$ 5,053,138</u>	<u>\$ (191,615)</u>	<u>9,168,383</u>	<u>\$ 248,021</u>
Less amounts due in one year				(248,021)	
Net long-term liabilities in excess of one year				<u>\$ 8,920,362</u>	

Notes to the Long-Term Obligations Table

Long term liabilities, including accumulated compensated absences and the City's net pension liabilities, are typically liquidated by the individual fund to which the liability is directly associated.

All of the City's long-term debt arose through direct borrowings or direct placements.

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Governmental Activities:

- Series 2011 Capital Improvement Revenue Note – The Capital Improvement Revenue Note, Series 2011 is payable from and secured by the electric public service tax revenue with a final maturity on March 1, 2031. The Series 2011 note bore interest at 3.5% through March 8, 2016. For each five-year period thereafter, interest shall accrue based upon the five-year interest rate swap rate, as determined on the first day of the applicable five-year period from the published FRB H.15 - Selected Interest Rate Statistical Release, plus 115 basis points. The effective interest rate on September 30, 2021 was 2.39%. The Series 2011 note proceeds were used for reconstruction of the City's police station building.
- Series 2020 Capital Improvement Revenue Note - The Capital Improvement Revenue Note, Series 2020 is payable from and secured by the electric franchise fee revenue with a final maturity on March 1, 2030. Principal and interest is due semi-annually and the Series 2020 note bears interest at a fixed rate of 2.89%. The Series 2020 note proceeds were used for construction of a fire station.
- Series 2020A Capital Improvement Revenue Note – The Capital Improvement Revenue Note, Series 2020A was issued on November 18, 2020 totaling \$5,000,000 which was used to finance the cost of the City's new community center. The note bears interest at 2.89% per annum and required interest only payments on May 1, 2021 and November 1, 2021 and thereafter principal and interest is due semi-annually commencing on May 1, 2022 with a final maturity on November 1, 2041.

Business-Type Activities:

- The State of Florida Department of Environmental Protection (FDEP) Drinking Water State Revolving Loan (DW5312010), dated August 14, 2000, is secured by the water system net revenues and bears interest at the rate of 3.05% payable in 60 semi-annual payments of principal and interest totaling \$2,799 on the 15th day of December and June of each year, commencing June 15, 2002 with a final payment due June 15, 2032. The ordinance authorizing the loan includes various covenants and restrictions including the requirements to maintain, as of September 30, 2021 (1) a sinking account balance of \$1,400, and (2) a reserve account balance of \$3,126.
- The State of Florida Department of Environmental Protection Drinking Water State Revolving Loan (DW5312020), dated September 11, 2008, is secured by the water system net revenues and bears interest at the rate of 2.79% payable in 40 semi-annual payments of principal and interest totaling \$79,821 on the 15th day of October and April of each year, commencing April 15, 2010. The loan proceeds were used to fund expansions to the City's water system. As of September 30, 2021, the loan has a requirement for a sinking fund totaling \$70,318.
- The State of Florida Department of Environmental Protection Clean Water State Revolving Fund Loan (SW12086503P), dated August 20, 2001, is secured by stormwater net revenues and local option gas taxes. The loan bears interest at 2.02% and is repayable in forty semi-annual payments (August 15 and February 15) of principal and interest commencing August 15, 2004 with a final maturity on August 15, 2024. As of September 30, 2021, the loan has a requirement for maintenance of a sinking fund and a reserve fund totaling \$2,723 and \$16,118 respectively. The loan was used to construct a stormwater system.

NOTE 6 - LONG-TERM OBLIGATIONS (concluded)

Business-Type Activities: (cont...)

- The State of Florida Department of Environmental Protection Drinking Water State Revolving Loan (DW530700), dated August 22, 2018, is secured by the water system net revenues and bears interest at the rate of 1.79% payable in 20 semi-annual payments of principal and interest totaling \$33,853 on the 15th day of February and August of each year, commencing February 15, 2020. The loan proceeds are being used to fund expansions to the City's water system. The original loan amount was \$600,000 which was amended downward on September 14, 2020, to \$470,676. The loan has been fully drawn as of September 30, 2021. On September 30, 2021, the loan has a requirement for a sinking fund totaling \$8,608.
- The State of Florida Department of Environmental Protection Drinking Water State Revolving Loan (CW530710), dated July 22, 2019, is secured by the water, sewer and stormwater system net revenues and bears interest at the rate of .46% payable in 40 semi-annual payments of principal and interest totaling \$4,000 on the 15th day of November and May of each year, commencing May 15, 2021. The loan proceeds are being used to fund expansions to the City's water system. On September 30, 2021, there are no sinking fund or reserve requirements. This loan included a principal forgiveness grant through FDEP of \$504,200 that was applied to the loan balance in 2020.
- The State of Florida Department of Environmental Protection Drinking Water State Revolving Loan (DW530701), dated October 17, 2019, is secured by the water, sewer and stormwater system net revenues and bears interest at the rate of .74% payable in 40 semi-annual payments of principal and interest totaling \$196,403 on the 15th day of October and April of each year, commencing April 15, 2022. The loan proceeds are being used to fund expansions to the City's water system. The loan agreement is for a maximum disbursable amount of \$9,840,000 of which \$5,084,798 has been drawn as of September 30, 2021. On September 30, 2021, there are no sinking fund or reserve requirements. This loan includes a principal forgiveness grant through FDEP of \$2,750,000 which will be applied to the loan balance on April 15, 2022.
- The State of Florida Department of Environmental Protection Clean Water State Revolving Loan (WW530720), dated July 22, 2019, is secured by the water, sewer and stormwater system net revenues and bears interest at the rate of .92% payable in 40 semi-annual payments of principal and interest \$18,230 on the 15th day of February and August of each year, commencing February 15, 2022. The loan proceeds are being used to fund expansions to the City's wastewater system. The loan agreement is for a maximum disbursable amount of \$651,700 of which all has been drawn as of September 30, 2021. On September 30, 2021, there are no sinking fund or reserve requirements.
- The State of Florida Department of Environmental Protection Clean Water State Revolving Loan (WW530712), dated March 24, 2020, is secured by the water, sewer and stormwater system net revenues with a zero percent interest rate payable in 40 semi-annual payments of principal and interest of \$109,156 on the 15th day of February and August of each year, commencing February 15, 2023. The loan proceeds are being used to fund expansions to the City's wastewater system. The loan agreement is for a maximum disbursable amount of \$4,201,747 of which \$1,621,790 has been drawn as of September 30, 2021. On September 30, 2021, there are no sinking fund or reserve requirements.

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Remedies in the Event of Default – The City’s debt obligations all allow for the obligors to take whatever legal actions necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of default as follows:

- Series 2011 and 2020 Capital Improvement Revenue Note – The lender may, upon providing written notice, declare the principal of the note to be immediately due and payable.
- State Revolving Funds (SRF) Loans – The lender, subject to the rights of superior liens on the pledged revenues, may request a court to appoint a receiver to manage the water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to 3.33 the loan interest rate for SW120 86503P and 1.667 times the loan interest rate for all other SRF loans.

Maturities:

Annual requirements to repay all debt and lease obligations as of September 30, 2021, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 183,795	\$ 106,572	\$ 248,022	\$ 223,379
2023	280,129	161,979	646,800	239,315
2024	285,360	154,444	819,715	66,512
2025	291,486	145,964	794,613	58,828
2026	297,423	137,677	801,891	51,551
2027-2031	1,229,734	465,322	3,626,373	148,058
2032-2036	1,269,927	390,987	1,965,650	39,486
2037-2041	1,468,773	192,141	173,626	1,781
2042-2046	483,985	14,290	-	-
Total	\$ 5,790,612	\$ 1,769,376	\$ 9,076,690	\$ 828,910

NOTE 7 - FUTURE REVENUES THAT ARE PLEDGED

The City has pledged various future revenue sources for various debt issues. For the water and stormwater systems, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in note 6.

Pledged Revenue	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Water system net revenue	\$ 1,667,342	\$ 197,879	\$ 1,553,795	785.22%
Electric public service taxes	324,150	35,382	597,257	1688.02%
Electric franchise fees	580,138	76,587	443,647	579.27%
Stormwater system net revenue and local option gas taxes	98,133	32,674	300,527	919.77%
Water, sewer and stormwater system net revenue	8,140,125	4,001	1,861,172	46517.67%

NOTE 8 - INTERFUND TRANSACTIONS

There were no interfund receivables or payables as of September 30, 2021 and there were no interfund transfers for the year ended September 30, 2021.

NOTE 9 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water system revenues. The water system’s operations are accounted for in an enterprise fund along with the City’s wastewater systems. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for some components of net position, revenues and cash flows. Segment financial information that can be separately identified for the water and wastewater system operations as of and for the year ended September 30, 2021, is presented below:

	Water System	Wastewater System	Total
	<u> </u>	<u> </u>	<u> </u>
Condensed statement of revenue, expenses and changes in net position:			
Operating revenues	\$ 2,539,636	\$ 1,322,196	\$ 3,861,832
Personnel services	(336,191)	(347,032)	(683,223)
Operating expenses	(649,650)	(704,866)	(1,354,516)
Depreciation expense	(280,686)	(320,954)	(601,640)
Operating Income (Loss)	<u>1,273,109</u>	<u>(50,656)</u>	<u>1,222,453</u>
Nonoperating expenses:			
Interest expense	(32,965)	(36,324)	(69,289)
Other revenue	2,269	-	2,269
Interest income	-	-	-
Capital contributions:			
Impact fees	1,652,806	2,155,073	3,807,879
Grants and other capital contributions	2,793,748	395,574	3,189,322
Change in net position	<u><u>\$ 5,688,967</u></u>	<u><u>\$ 2,463,667</u></u>	<u><u>\$ 8,152,634</u></u>
 Summary information from statement of net position:			
Capital assets, net	<u><u>\$ 15,510,613</u></u>	<u><u>\$ 13,325,422</u></u>	<u><u>\$ 28,836,035</u></u>
Long-term debt, including current portion	<u><u>\$ 6,575,827</u></u>	<u><u>\$ 2,406,443</u></u>	<u><u>\$ 8,982,270</u></u>

NOTE 10 – PENSION TRUST FUNDS

Plan Descriptions - The City of Davenport contributes to two single-employer defined benefit pension plans: The General Employees' Pension Trust Fund and the Police Officers' and Firefighters' Pension Trust Fund (hereinafter referred to collectively as the "Plans"). Each plan provides retirement and disability benefits to plan members and beneficiaries. The Plans are established by City Ordinance and the benefits and contribution requirements can be amended by the City Commission through ordinance. Both plans are administered by separate boards of trustees who are either appointed by the City Commission, elected by plan members or appointed by the existing board of trustees. It is the City's policy to annually fund the annual required contribution amount for each plan. The Plans do not issue separate reports containing financial statements; therefore, financial statements are included below.

Financial Statements

As of September 30, 2021, the Plans' statement of fiduciary net position was as follows:

	General Employees' Pension Trust Fund	Police Officers' and Firefighters' Pension Trust Fund	Total
ASSETS			
Receivables:			
State	\$ -	\$ 165,058	\$ 165,058
Total receivables	<u>119</u>	<u>165,058</u>	<u>165,177</u>
Investments:			
Short-term money market fund	31,111	26,039	57,150
Fixed income mutual fund	283,535	330,507	614,042
Equity mutual funds	476,065	575,586	1,051,651
Total investments	<u>790,711</u>	<u>932,132</u>	<u>1,722,843</u>
Total assets	<u>790,830</u>	<u>1,097,190</u>	<u>1,888,020</u>
LIABILITIES			
Accounts payable	5,399	1,665	7,064
Total liabilities	<u>5,399</u>	<u>1,665</u>	<u>7,064</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 785,431</u>	<u>\$ 1,095,525</u>	<u>\$ 1,880,956</u>

NOTE 10 – PENSION TRUST FUNDS (cont...)

For the fiscal year ended September 30, 2021, the Plans' statement of changes in fiduciary net position was as follows:

	General Employees' Pension Trust Fund	Police Officers' and Firefighters' Pension Trust Fund	Total
ADDITIONS			
Contributions:			
City	\$ 216,805	\$ 280,435	\$ 497,240
Plan members	78,077	62,125	140,202
State of Florida	-	165,058	165,058
Total contributions	<u>294,882</u>	<u>507,618</u>	<u>802,500</u>
Investment income	<u>103,799</u>	<u>115,111</u>	<u>218,910</u>
Less: investment expenses			
Custodial fees	4,000	4,000	8,000
Performance evaluation	2,500	3,750	6,250
Total investment expenses	<u>6,500</u>	<u>7,750</u>	<u>14,250</u>
Net investment income	<u>97,299</u>	<u>107,361</u>	<u>204,660</u>
Total additions	<u>392,181</u>	<u>614,979</u>	<u>1,007,160</u>
DEDUCTIONS			
Administrative expenses:			
Legal	3,409	6,355	9,764
Administrator fee	10,800	10,800	21,600
Actuarial	13,051	17,301	30,352
Total administrative expenses	<u>27,260</u>	<u>34,456</u>	<u>61,716</u>
Refunds of member contributions	<u>13,404</u>	<u>11,826</u>	<u>25,230</u>
Total deductions	<u>40,664</u>	<u>46,282</u>	<u>86,946</u>
CHANGE IN NET POSITION	351,517	568,697	920,214
NET POSITION, beginning of year	<u>433,914</u>	<u>526,828</u>	<u>960,742</u>
NET POSITION, end of year	<u>\$ 785,431</u>	<u>\$ 1,095,525</u>	<u>\$ 1,880,956</u>

Basis of accounting: The General Employees' Pension Trust Fund and the Police Officers' and Firefighters' Pension Trust Fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required to be made and benefits and refunds are recognized as an expense and liability when due and payable. Administrative costs are financed through contributions and investment income.

Benefits - The Plans provide retirement and disability benefits. Benefits for all members vest after 7 years of service. Retirement benefits for general employee members are calculated at 2.75% and police officers' and firefighters are calculated at 3% of average compensation of the best 5 years of the preceding 10 years multiplied by years of creditable service.

NOTE 10 – PENSION TRUST FUNDS (cont...)

Deferred retirement option program (DROP) – Both Plans permit its members to elect to receive retirement benefits while still employed and receiving a salary. Members are eligible upon reaching normal retirement. The participant’s retirement benefits are credited into an individual member account and paid out to the member upon termination or retirement not to exceed a period of up to 60 months. Amounts credited to the members’ DROP accounts earn interest and remain in the Plan’s net position until paid out. No amounts were held in DROP accounts as of September 30, 2021.

Normal retirement date:

General Employees’ Pension Trust Fund: Earlier of age 62 with 7 years of service or age 55 with 30 years of service.

Police Officers’ and Firefighters’ Pension Trust Fund: Earlier of age 55 with 7 years of service or age 52 with 25 years of service.

Contributions – It is the City’s policy to annually fund the actuarially determined required contributions representing the difference between the actuarially determined amount. Contribution rates and other information for the year ended September 30, 2021, is presented below:

	General Employees’ Pension Trust Fund	Police Officers’ and Firefighters’ Pension Trust Fund
Required Contribution rates:		
City	13.70%	22.30%
Plan members	5.00%	5.00%
Actuarially determined contribution	\$ 214,079	\$ 277,683
Contributions made in relation to the Actuarially determined contribution	\$ 216,805	\$ 445,493

Plan Membership – Participant data for the City pension plans, as of the latest available actuarial valuation was as follows:

	as of October 1, 2020	
	General Employees’ Pension Trust Fund	Police Officers’ and Firefighters’ Pension Trust Fund
Inactive plan members or beneficiaries currently receiving benefits	-	-
Inactive plan members entitled to by not yet receiving benefits	9	9
Active plan members	33	26
Total	<u>42</u>	<u>35</u>

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 10 – PENSION TRUST FUNDS (cont...)

As of and for the year ended September 30, 2021, the Plans had the following balances reported in the government-wide financial statements:

Pension Trust Fund	Total Pension Liability	Net Pension Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources
General Employees	\$ 663,713	\$ (121,718)	\$ 42,555	\$ 56,861
Police Officers' and Firefighters'	1,104,807	9,282	42,140	135,092
Total	\$ 1,768,520	\$ (112,436)	\$ 84,695	\$ 191,953

Net Pension Liability (Asset) – The components of the changes in the net pension liability (asset) for both pension plans for the year ended September 30, 2021 is shown below. The net pension liability (asset) as of September 30, 2021, for City financial reporting purposes, was determined by actuarial valuations as of October 1, 2020 updated to September 30, 2021 (the measurement date).

General Employees' Pension Trust Fund:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Reporting period ending September 30, 2020	\$ 369,294	\$ 433,914	\$ (64,620)
Changes for year:			
Service cost	213,549	-	213,549
Interest	43,211	-	43,211
Difference between actual and expected experience	51,063	-	51,063
Contributions - City	-	216,805	(216,805)
Contributions - employee	-	78,077	(78,077)
Net investment income	-	97,299	(97,299)
Benefit payments, including refunds of employee contributions	(13,404)	(13,404)	-
Administrative expense	-	(27,260)	27,260
Net changes	294,419	351,517	(57,098)
Reporting period ending September 30, 2021	\$ 663,713	\$ 785,431	\$ (121,718)

Plan fiduciary net position as a percentage of the total pension liability 118%

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 10 – PENSION TRUST FUNDS (cont...)

Police Officers’ and Firefighters’ Pension Trust Fund:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Reporting period ending September 30, 2020	\$ 867,550	\$ 526,828	\$ 340,722
Changes for year:			
Service cost	196,394	-	196,394
Interest	84,524	-	84,524
Difference between actual and expected experience	(100,793)	-	(100,793)
Change of benefit terms	68,958	-	68,958
Contributions - City	-	280,435	(280,435)
Contributions - State	-	165,058	(165,058)
Contributions - employee	-	62,125	(62,125)
Net investment income	-	107,361	(107,361)
Benefit payments, including refunds of employee contributions	(11,826)	(11,826)	-
Administrative expense	-	(34,456)	34,456
Net changes	<u>237,257</u>	<u>568,697</u>	<u>(331,440)</u>
Reporting period ending September 30, 2021	<u>\$ 1,104,807</u>	<u>\$ 1,095,525</u>	<u>\$ 9,282</u>

Plan fiduciary net position as a percentage of the total pension liability 99%

Actuarial Assumptions – The actuarial valuation date and significant actuarial assumptions used to measure the total pension liability on September 30, 2021 were as follows:

	General Employees’ Pension Trust Fund	Police Officers’ and Firefighters’ Pension Trust Fund
Actuarial valuation date	October 1, 2020	October 1, 2020
Measurement date	September 30, 2021	September 30, 2021
Inflation	2.50%	2.50%
Projected salary increases	Age based	Age based
Investment rate of return	7.50%	7.50%
Discount rate	7.50%	7.50%

Mortality rates for the September 30, 2021 measurement date were based on The Society of Actuaries’ Retirement Plans Experience Committee (RPEC) Pub-2010 Public Retirement Plans Mortality Tables Reports.

The Plans became effective on January 1, 2019, and as a result, there is no actuarial experience study available yet.

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 10 – PENSION TRUST FUNDS (cont...)

Long-term Expected Rate of Return on Pension Plan Investments - Best estimates of arithmetic real rates of return for each major asset class and the target asset allocations as of September 30, 2021 for each of the City's pension trust funds, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rates of Return</u>	<u>Target Asset Allocations</u>
Domestic equity	8.50%	40%
International equity	4.10%	15%
Bonds	3.70%	30%
Convertibles	7.90%	10%
Infrastructure	6.40%	5%
Total		<u>100%</u>

Actual Rate of Return – For the year ended September 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for each plan are as follows:

<u>Pension Trust Fund</u>	<u>Rate of Return</u>
General Employees'	15.75%
Police Officers' and Firefighters'	13.65%

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 10 – PENSION TRUST FUNDS (cont...)

Deferred Outflows and Inflows of Resources Related to Pensions - On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions, combined and individually for both plans, was as follows:

Combined All Pension Trust Funds:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,695	\$ 92,329
Change in assumptions	-	13,820
Net difference between expected and actual earnings on Plan investments	-	85,804
Total combined all pension trust funds	\$ 84,695	\$ 191,953

General Employees' Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,555	\$ 5,935
Change in assumptions	-	3,645
Net difference between expected and actual earnings on Plan investments	-	47,281
Total combined all pension trust funds	\$ 42,555	\$ 56,861

Police Officers' and Firefighters' Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,140	\$ 86,394
Change in assumptions	-	10,175
Net difference between expected and actual earnings on Plan investments	-	38,523
Total combined all pension trust funds	\$ 42,140	\$ 135,092

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 10 – PENSION TRUST FUNDS (cont...)

Amounts reported as deferred inflows and outflows of resources will be recognized in pension expense in the years and amounts shown below:

Year ending September 30,	General Employees' Pension Trust Fund	Police Officers; and Firefighters' Pension Trust Fund	Total
2022	\$ (5,140)	\$ (17,143)	\$ (22,283)
2023	(5,140)	(17,143)	(22,283)
2024	(6,172)	(18,145)	(24,317)
2025	(4,449)	(18,116)	(22,565)
2026	6,595	(8,006)	(1,411)
Thereafter	-	(14,399)	(14,399)
Total	<u>\$ (14,306)</u>	<u>\$ (92,952)</u>	<u>\$ (107,258)</u>

Discount Rate - A rate of 7.5% was used to measure the total pension liability of each plan as of September 30, 2021, which is the measurement date for financial reporting purposes. 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 actuarially determined contribution rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City as of the measurement date (September 30, 2021), calculated using the discount rates discussed above for each plan, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate used by each plan.

Pension Trust Fund	Current Discount Rate	Net Pension Liability (Asset) at Measurement Date		
		1% Decrease	Current Discount	1% Increase
General Employees'	7.50%	\$ (18,238)	\$ (121,718)	\$ (206,241)
Police Officers' and Firefighters'	7.50%	197,087	9,282	(140,546)
City's Net Pension Liability (Asset)		<u>\$ 178,849</u>	<u>\$ (112,436)</u>	<u>\$ (346,787)</u>

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

The City follows GASB Cod. Sec. P52 for certain postemployment healthcare benefits provided by the City.

Plan Description – The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the City. The OPEB Plan allows employees who retire and meet retirement eligibility requirements under the applicable City retirement plan to continue medical insurance coverage as a participant in the City’s health insurance plan.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City’s healthcare and life insurance benefits. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. The OPEB Plan doesn’t issue a stand-alone financial report and is not included in the annual report of a public employee retirement system or another entity.

There are currently 51 active plan members and no inactive plan members.

Funding Policy – Currently, the City’s OPEB benefits are unfunded. The City has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the OPEB liability, and the OPEB Plan is financed on a pay-as-you-go basis.

Benefits Provided – The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City who meet the eligibility requirements of the applicable City retirement plan are eligible to receive postemployment health care benefits. All retiree, spouse and dependent coverage is at the expense of the retiree.

Total OPEB Liability – The City’s total OPEB liability as of September 30, 2021 (the measurement date) was determined by an actuarial valuation as of October 1, 2019. The actuarial assumptions used were as follows:

Inflation	2.50%
Salary increases	2.50%
Discount rate	2.43%
Initial health care trend rate	7.50%
Ultimate health care trend rate	4.00%
Year to ultimate rate	55

For all lives, mortality rates were PubG-2010 Mortality Tables. As published by the Society of Actuaries and projected to the valuation date using projection scale MP-2019.

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 2.43%. The high-quality bond rate was based on the week closest but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor’s Rating Services, Aa2 by Moody’s or AA by Fitch. If there are multiple ratings, the lowest rating is used.

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (cont...)

The OPEB Plan qualifies for the alternative measurement method in determining their total OPEB liability. Under the alternative measurement method, changes in the total OPEB liability are not permitted to be included in deferred outflows or inflows of resources related to OPEB. These changes will be immediately recognized through OPEB expense.

OPEB Expense – For the year ended September 30, 2021, the City recognized OPEB expense of \$53,197.

Changes in Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2020	\$ 317,554
Changes for the year:	
Service cost	58,696
Interest	8,052
Changes of assumptions	(14,752)
Net changes	<u>51,996</u>
Reporting period ending September 30, 2021	<u>\$ 369,550</u>

Sensitivity of the Total OPEB Liability to changes in the discount rate - The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.43%)	Discount Rate (2.43%)	1% Increase (3.43%)
Total OPEB liability	\$ 424,222	\$ 369,550	\$ 324,547

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 3.00%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.00%)	1% Increase (8.50% decreasing to 5.00%)
Total OPEB liability	\$ 312,460	\$ 369,550	\$ 441,114

NOTE 12 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2021 or the two previous years. The City's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool. Settled claims resulting from these risks have not exceeded insurance coverage.

The City has elected to reimburse the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provision for potential claims has been made in the financial statements.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2021, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

Construction commitments – The City has construction commitments of approximately \$671,397 as of September 30, 2021 related to the construction of a new Community Center and approximately \$3,630,270 related to water and wastewater system improvements.

NOTE 14 – JOINT VENTURE

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by a interlocal agreement between the City of Davenport, City of Auburndale, City of Bartow, City of Eagle Lake, City of Fort Meade, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, Polk City, City of Winter Haven, Town of Dundee, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes. These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that take full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

Membership fees - The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2021, the total annual working capital needs of the PRWC was \$198,000 of which the City's proportionate share was \$3,808.

Contact - Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

NOTE 14 – JOINT VENTURE (cont...)

Project Implementation Agreements - Effective April 19, 2021, the City entered into a project implementation agreement with other PRWC participating governments for both the Southeast Wellfield Project. The purpose of the agreement is to govern the design, permitting, construction, operation, maintenance, and funding of the project. The City's commitment as a party to this agreement is to pay the PRWC for alternative water services consisting of a base rate charge and a water use rate charge. The City will be notified as to the amount of these water charges on or before May 31st prior to the fiscal year in which finished water service is scheduled to commence and on or before May 31st thereafter. The expected date of finished water production from this project or the future water charges are indeterminable as of the date of this report.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES

During the fiscal year ended September 30, 2021, the City implemented the provisions of GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes new criteria for identifying fiduciary activities which, when met, require that the activities be reported in a fiduciary fund in the basic financial statements. A statement of fiduciary net position and a statement of changes in fiduciary net position are required to be presented for these activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds (formerly agency funds). Implementation of this Statement did not require a restatement of net position or fund balance but resulted in the creation of a custodial fund to account for fees collected on behalf of other governments. See Note 1 for more information about the City's fund structure.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAVENPORT, FLORIDA

Budgetary Comparison Schedule – General Fund
for the year ended September 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RESOURCES (inflows):				
Taxes	\$ 4,650,980	\$ 4,700,980	\$ 5,077,382	\$ 376,402
Licenses and permits	1,457,800	1,457,800	3,664,857	2,207,057
Intergovernmental revenue	676,820	809,460	846,914	37,454
Charges for services	989,480	1,057,630	1,065,854	8,224
Fines and forfeitures	33,750	33,750	33,268	(482)
Other	188,500	188,500	197,159	8,659
Insurance proceeds	2,500	2,500	216,975	214,475
Loan proceeds	3,500,000	3,500,000	5,000,000	1,500,000
Impact fees	1,066,500	1,228,425	2,312,076	1,083,651
Total resources	<u>12,566,330</u>	<u>12,979,045</u>	<u>18,414,485</u>	<u>5,435,440</u>
CHARGES TO APPROPRIATIONS (outflows):				
General government:				
Commission	76,545	76,545	48,190	28,355
City manager	222,120	226,215	222,940	3,275
Finance	289,465	291,465	309,425	(17,960)
Legal	135,000	135,000	62,531	72,469
City clerk	178,240	178,240	147,201	31,039
Development services	634,895	634,895	601,357	33,538
Other general government	412,450	412,450	357,079	55,371
Total general government	<u>1,948,715</u>	<u>1,954,810</u>	<u>1,748,723</u>	<u>206,087</u>
Public safety:				
Police department	1,473,585	1,473,585	1,593,337	(119,752)
Fire department	1,196,410	1,465,920	1,510,980	(45,060)
Code enforcement	132,075	132,075	62,774	69,301
Total public safety	<u>2,802,070</u>	<u>3,071,580</u>	<u>3,167,091</u>	<u>(95,511)</u>
Physical environment:				
Garbage	655,000	751,510	751,507	3
City cemetery	3,500	3,500	3,412	88
Total physical environment	<u>658,500</u>	<u>755,010</u>	<u>754,919</u>	<u>91</u>
Transportation	<u>541,355</u>	<u>561,955</u>	<u>625,877</u>	<u>(63,922)</u>
Culture/recreation:				
Parks and recreation	8,096,720	8,096,720	7,541,588	555,132
Total culture/recreation	<u>8,096,720</u>	<u>8,096,720</u>	<u>7,541,588</u>	<u>555,132</u>
Total charges to appropriations	<u>14,047,360</u>	<u>14,440,075</u>	<u>13,838,198</u>	<u>601,877</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	(1,481,030)	(1,461,030)	\$ 4,576,287	\$ 6,037,317
Prior year fund balance used in current year	<u>1,481,030</u>	<u>1,461,030</u>		
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>		

BASIS OF ACCOUNTING

The general fund budget is adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes. For the year ended September 30, 2021, there were no significant differences between the budgetary basis and the basis used for financial reporting purposes.

Total budgetary resources consist of total revenue and other financing sources from the accompanying statement of revenues, expenditures and changes in fund balance for the general fund.

CITY OF DAVENPORT, FLORIDA

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios - General Employees' Pension Trust Fund

City reporting period date	9/30/2021	9/30/2020	9/30/2019
Measurement date	9/30/2021	9/30/2020	9/30/2019
Total pension liability			
Service cost	\$ 213,549	\$ 195,436	\$ 152,019
Interest	43,211	26,700	8,551
Change in assumptions	-	(5,101)	-
Difference between expected and actual experience	51,063	(8,311)	-
Benefit payments, including refunds of employee contributions	(13,404)	-	-
Net change in total pension liability	294,419	208,724	160,570
Total pension liability, beginning	369,294	160,570	-
Total pension liability, ending (a)	<u>\$ 663,713</u>	<u>\$ 369,294</u>	<u>\$ 160,570</u>
Plan fiduciary net position			
Contributions - City	\$ 216,805	\$ 215,089	\$ 130,985
Contributions - Employee	78,077	67,217	42,920
Net investment income (loss)	97,299	28,287	1,827
Benefit payments, including refunds of employee contributions	(13,404)	-	-
Administrative expenses	(27,260)	(31,418)	(20,993)
Net change in plan fiduciary net position	351,517	279,175	154,739
Plan fiduciary net position, beginning	433,914	154,739	-
Plan fiduciary net position, ending (b)	<u>\$ 785,431</u>	<u>\$ 433,914</u>	<u>\$ 154,739</u>
Net pension liability (assets) (a)-(b)	<u>\$ (121,718)</u>	<u>\$ (64,620)</u>	<u>\$ 5,831</u>
Plan fiduciary net position as a percentage of total pension liability	118.34%	117.50%	96.37%
Covered payroll	\$ 1,562,617	\$ 1,341,141	\$ 858,399
Net pension liability as a percentage of covered payroll	-7.79%	-4.82%	0.68%

Notes to the Schedule:

The Plan became effective as of January 1, 2019.

Additional years will be added to this schedule annually until 10 years' data is presented.

Changes of Assumptions:

- For measurement date September 30, 2020, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for non-special risk employees

CITY OF DAVENPORT, FLORIDA

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios - Police Officers' and Firefighters' Pension Trust Fund

City reporting period date	9/30/2021	9/30/2020	9/30/2019
Measurement date	9/30/2021	9/30/2020	9/30/2019
Total pension liability			
Service cost	\$ 196,394	\$ 180,092	\$ 97,718
Interest	84,524	57,633	33,241
Change in assumptions	-	(14,246)	-
Change of benefit terms	68,958	-	-
Difference between expected and actual experience	(100,793)	58,996	-
Benefit payments, including refunds of employee contributions	(11,826)	(6,538)	-
Net change in total pension liability	237,257	275,937	130,959
Total pension liability, beginning	867,550	591,613	460,654
Total pension liability, ending (a)	<u>\$ 1,104,807</u>	<u>\$ 867,550</u>	<u>\$ 591,613</u>
Plan fiduciary net position			
Contributions - City	\$ 280,435	\$ 234,712	\$ 134,608
Contributions - Employee	62,125	54,469	28,772
Contributions - State	165,058	116,366	-
Net investment income (loss)	107,361	23,098	1,590
Benefit payments, including refunds of employee contributions	(11,826)	(6,538)	-
Administrative expenses	(34,456)	(34,863)	(25,386)
Net change in plan fiduciary net position	568,697	387,244	139,584
Plan fiduciary net position, beginning	526,828	139,584	-
Plan fiduciary net position, ending (b)	<u>\$ 1,095,525</u>	<u>\$ 526,828</u>	<u>\$ 139,584</u>
Net pension liability (assets) (a)-(b)	<u>\$ 9,282</u>	<u>\$ 340,722</u>	<u>\$ 452,029</u>
Plan fiduciary net position as a percentage of total pension liability	99.16%	60.73%	23.59%
Covered payroll	\$ 1,245,214	\$ 1,082,200	\$ 575,446
Net pension liability as a percentage of covered payroll	0.75%	31.48%	78.55%

Notes to the Schedule:

The Plan became effective as of January 1, 2019.

Additional years will be added to this schedule annually until 10 years' data is presented.

Changes of Benefits:

- Ordinance No. 1038 amended the plan to increase the benefit accrual rate from 2.75% to 3.00% of average final compensation for each year of credited service and this increase applies to all years of service and would apply to those who have already terminated.

Changes of Assumptions:

- For measurement date September 30, 2020, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for non-special risk employees.

CITY OF DAVENPORT, FLORIDA

Required Supplementary Information

Schedule of Contributions - General Employees' Pension Trust Fund

Fiscal Year End	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
9/30/2021	\$ 214,079	\$ 216,805	\$ (2,726)	\$ 1,562,617	13.87%
9/30/2020	183,736	215,089	(31,353)	1,341,141	16.04%
9/30/2019	128,760	130,985	(2,225)	858,399	15.26%

Notes to the Schedule:

The Plan became effective as of January 1, 2019.

Additional years will be added to this schedule annually until 10 years' data is presented.

Significant methods and assumptions used in calculating the actuary determined contribution requirement:

- Valuation date: October 1, 2019 for fiscal year 2021 contributions.
- Actuarial Cost Method: Entry Age Normal Actuarial Cost Method.
- Asset Valuation Method: Actuarial value of assets is developed by recognizing the total actuarial investment gain or loss for each Plan year over a four-year period. The gain or loss is equal to the actual return on investments minus the actuarial assumed investment return.
- Funding Method: Entry Age Normal Actuarial Cost Method.
- Salary Increases: 6.00% per year until age 30 and 5.25% per year thereafter.
- Investment Rate of Return: 7.50% per year, compounded annually, gross of investment related expenses.
- Payroll Growth: None
- Retirement Age: Earlier of age 62 and 7 years of service or age 55 and 30 years of service. Any member who has reached normal retirement is assumed to continue employment for one additional year.
- Early Retirement: Commencing with the earliest eligibility age (55), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
- Mortality rates were based on the RP-2000 tables for active, inactive, and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.
- Termination and Disability Rate Tables:

% Terminating During the Year			% Becoming Disabled During the Year	
Service Years	Age	Rate	Age	Rate
0-1	All	18.00%	25	0.05%
2-5	All	14.00%	30	0.06%
6+	30	19.40%	35	0.07%
6+	35	12.30%	40	0.12%
6+	40	7.30%	45	0.22%
6+	45	4.20%	50	0.43%
6+	50	2.70%	55	0.89%
6+	55	1.80%		

CITY OF DAVENPORT, FLORIDA

Required Supplementary Information

Schedule of Contributions - Police Officers' and Firefighters' Pension Trust Fund

Fiscal Year End	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
9/30/2021	\$ 277,683	\$ 445,493	\$ (167,810)	\$ 1,245,214	35.78%
9/30/2020	241,330	346,428	(105,098)	1,082,200	32.01%
9/30/2019	139,258	139,258	-	575,446	24.20%

Notes to the Schedule:

The Plan became effective as of January 1, 2019.

Additional years will be added to this schedule annually until 10 years' data is presented.

Significant methods and assumptions used in calculating the actuary determined contribution requirement:

- Valuation date: October 1, 2019 for fiscal year 2021 contributions.
- Actuarial Cost Method: Entry Age Normal Actuarial Cost Method.
- Asset Valuation Method: Actuarial value of assets is developed by recognizing the total actuarial investment gain or loss for each Plan year over a four-year period. The gain or loss is equal to the actual return on investments minus the actuarial assumed investment return.
- Funding Method: Entry Age Normal Actuarial Cost Method.
- Salary Increases: 6.00% per year until age 30 and 5.25% per year thereafter.
- Investment Rate of Return: 7.50% per year, compounded annually, gross of investment related expenses.
- Payroll Growth: None
- Retirement Age: Earlier of age 55 and 7 years of service or age 52 and 25 years of service. Any member who has reached normal retirement is assumed to continue employment for one additional year.
- Early Retirement: Commencing with the earliest eligibility age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
- Mortality rates were based on the RP-2000 tables for active, inactive, and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.
- Termination and Disability Rate Tables: % terminating or becoming disables during the year based on age.

Age	Rate	
	Termination	Disability
25	13.10%	0.03%
30	11.50%	0.04%
35	8.70%	0.05%
40	6.00%	0.07%
45	3.70%	0.10%
50	1.80%	0.18%
55	0.70%	0.36%

CITY OF DAVENPORT, FLORIDA

Required Supplementary Information

Schedule of Investment Returns - All Pension Trust Funds

GENERAL EMPLOYEES' PENSION TRUST FUND

<u>Fiscal year ended</u>	<u>Annual Money-Weighted Rate of Return Net of Investment Expenses</u>
9/30/2021	15.75%
9/30/2020	9.39%
9/30/2019	0.71%

POLICE OFFICERS' AND FIREFIGHTERS' PENSION TRUST FUND

<u>Fiscal year ended</u>	<u>Annual Money-Weighted Rate of Return Net of Investment Expenses</u>
9/30/2021	13.65%
9/30/2020	8.65%
9/30/2019	0.45%

Notes to the Schedule:

The Plan became effective as of January 1, 2019.

Additional years will be added to this schedule annually until 10 years' data is presented.

CITY OF DAVENPORT, FLORIDA

Required Supplementary Information

Schedule of Changes in the Total OPEB Liability and Related Ratios

Reporting date	9/30/2021	9/30/2020
Measurement date	9/30/2021	9/30/2020
Total OPEB Liability		
Service cost	\$ 58,696	\$ 46,750
Interest	8,052	8,972
Changes in assumptions	(14,752)	57,986
Net change in total OPEB Liability	51,996	113,708
Total OPEB Liability - beginning	317,554	203,846
Total OPEB Liability - ending	<u>\$ 369,550</u>	<u>\$ 317,554</u>
Covered-employee payroll	\$ 2,074,448	\$ 2,023,852
Total OPEB liability as a percentage of covered-employee payroll	17.81%	15.69%

Notes to the Schedule:

No assets are being accumulated in a trust to pay for plan benefits.

Changes in Assumptions:

Changes in assumptions reflect the effect of changes in the discount rate of each period. The following are the discount rates used for each measurement date:

Measurement Date	Discount Rate
September 30, 2021	2.43%
September 30, 2020	2.14%
September 30, 2019	3.58%

Additional years will be added to this schedule annually until 10 years' data is presented.

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GOVERNMENT AUDITING SECTION

CITY OF DAVENPORT, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance
for the year ended September 30, 2021

<u>Federal Grantor/Pass-through Entity/Program Title</u>	<u>CFDA#</u>	<u>Contract/Grant Identification</u>	<u>Total Expenditures</u>
U.S. Environmental Protection Agency			
Passed through:			
Florida Department of Environmental Protection			
Capitalization Grants for Drinking Water			
State Revolving Fund:			
Grant	66.468	DW530701	\$ 1,122,538
Loan	66.468	DW530701	<u>3,261,560</u>
Total U.S. Environmental Protection Agency			<u>4,384,098</u>
U.S. Department of Justice			
Passed through:			
Florida Department of Law Enforcement:			
Edward Byrne Memorial			
Justice Assistance Grant Program:			
		2020-JAGC-POLK-13-5R-	
Officer Protective Equipment	16.738	013	10,818
Officer Simulation Training	16.738	2021-JAGC-POLK-1-4R-039	1,000
2020 CESF Program	16.738	2021-JAGC-POLK-3-C9-158	<u>44,888</u>
Total program			<u>56,706</u>
Total U.S. Department of Justice			<u>56,706</u>
Total Expenditures of Federal Awards			<u>\$ 4,440,804</u>
<u>State Agency/Pass-through Entity/State Project</u>	<u>CSFA#</u>	<u>Contract/Grant Identification</u>	<u>Total Expenditures</u>
State of Florida Department of Environmental Protection			
Direct program:			
Wastewater Treatment Facility Construction - Loan	37.077	530720	\$ 391,835
Wastewater Treatment Facility Construction - Loan	37.077	530712	1,390,363
Wastewater Treatment Facility Construction - Grant	37.077	530712	<u>1,235,432</u>
Total project			<u>3,017,630</u>
Total Florida Department of Environmental Protection			3,017,630
Total Expenditures of State Financial Assistance			<u>\$ 3,017,630</u>

CITY OF DAVENPORT, FLORIDA

Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
for the year ended September 30, 2021

NOTE 1 – GENERAL - The accompanying schedule of expenditures of federal awards and state financial assistance above represents the activities of all federal and state grant activity of the City of Davenport, Florida (the City) for the year ended September 30, 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation – The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards Subpart F*, Rules of the Florida Department of Financial Services; and Chapter 10.550, Rules of the Florida Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the City.

Basis of Accounting – The expenditures in the accompanying schedule of expenditures of federal awards and state financial assistance are presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the City's financial statements.

NOTE 3 – INDIRECT COST - The City currently does not have a negotiated indirect cost rate for federal awards received. The City has also elected not to charge the de minimis indirect cost rate of 10% allowed by §200.141, Indirect (F&A) costs, of the Uniform Guidance, to all federal awards.

NOTE 4 – CONTINGENCIES - The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such reviews potentially may result in disallowed expenditures.

NOTE 5 – FLORIDA'S STATE REVOLVING FUND PROGRAM – The Drinking Water State Revolving Fund Program and the Clean Water State Revolving Fund Program has executed several loan agreements with the City to assist with water and wastewater system expansions and improvements. The Florida Department of Environmental Protection (FDEP) administers the revolving fund programs with joint funding from the U.S. Environmental Protection Agency and the State of Florida. The Florida State Revolving Fund Program activity can be found in the accompanying schedule of expenditures of federal awards and state financial assistance.

NOTE 6 – NON-CASH CONTRIBUTIONS – The City did not receive any federal or state non-cash assistance, including personal protection equipment for the fiscal year ended September 30, 2021.

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 Davenport, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

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

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 25, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550,
RULES OF THE FLORIDA AUDITOR GENERAL

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

Report on Compliance for Each Major Federal Program and State Project

We have audited City of Davenport's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2021. The City's major federal program and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program and State Project

In our opinion, the City of Davenport, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 25, 2022

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of Auditor's Report Issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to the financial statements reported?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Type of Auditor's Report Issued on Compliance for Major Programs	<u>Unmodified</u>		
Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No	
Identification of major program:			
Assistance Listing # 66.468 -Capitalization Grants for Drinking Water State Revolving Funds			
Dollar threshold used to distinguish between Type A and Type B programs:	<u> </u> \$	<u> </u> 750,000	
Auditee qualified as a low-risk auditee?	<u> </u> Yes	<u> X </u> No	

Section I – Summary of Independent Auditor’s Results (cont...)

State Awards

Type of Auditor's Report Issued on Compliance for Major Projects	<u>Unmodified</u>	
Internal control over major projects:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Any audit findings disclosed that are required to be reported regarding state projects in accordance with Chapter 10.550, Rules of the Auditor General?	<u> </u> Yes	<u> X </u> No
Identification of major projects:		
CSFA# 37.077 - Wastewater Treatment Facility Construction		
Dollar threshold used to distinguish between Type A and Type B projects:	<u> </u> \$	<u> 905,289 </u>
Auditee qualified as a low-risk auditee?	<u> </u> Yes	<u> X </u> No

Section II – Summary Schedule of Prior Audit Findings

There were no prior-year audit findings required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings – Financial Statement Audit

None reported

Section IV – Findings and Questioned Costs – Major Federal Award Programs Audit

None reported

Section V – Findings and Questioned Costs – Major State Programs Audit

None reported

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Davenport, Florida (the "City") as of and for the year ended September 30, 2021, and have issued our report thereon dated June 25, 2022.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued the following reports and schedule in connection with our audit.

- Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditor's Report on Compliance with Requirements for Each Major Federal Program and State Project and on Internal Control Over Compliance.
- Schedule of Findings and Questioned Costs.
- Independent Accountant's Report on Compliance with Section 218.415, *Florida Statutes* conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements of Chapter 10.550, Rules of the Auditor General.

Disclosures in these reports and schedule, which are dated June 25, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the City of Davenport, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Davenport, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of the City of Davenport, Florida, we determined that the City of Davenport, Florida did not meet any of the specified 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 City of Davenport, Florida. It is management's responsibility to monitor the City of Davenport, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

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

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, members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 25, 2022

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined the City of Davenport, Florida's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2021. Management is responsible for the City of Davenport, Florida's compliance with those specified requirements. Our responsibility is to express an opinion on the City of Davenport, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards required that we plan and perform the examination to obtain reasonable assurance about whether the City of Davenport, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City of Davenport, Florida complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of the City of Davenport, Florida's compliance with the specified requirements.

In our opinion, the City of Davenport, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2021.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 25, 2022