

CITY OF DAVENPORT, FLORIDA



FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

SEPTEMBER 30, 2023

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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 Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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 state financial assistance is presented for purposes of additional analysis as required by section 215.97, Florida Statutes 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 state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, 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 this 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, 2024 on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of this 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, 2024

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, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 12.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows on September 30, 2023 by \$89,048,839 (net position). Of this amount, \$18,530,809 (unrestricted net position) may be used to meet the City's ongoing obligations compared to \$14,514,699 at the end of the prior year.
- The change in the City's net position was \$11,431,278 (15% increase) for the year ended September 30, 2023 compared to an increase of \$20,014,792 in the prior year. Governmental activities increased net position by \$7,560,631 (26%) and the business-type activities increased net position by \$3,870,647 (8%) in the current year.
- Total revenue for all City activities for the year ended September 30, 2023 was \$26,517,823 a decrease of 17% or \$5,300,390.
- Total expenses for all City activities for the year ended September 30, 2023 were \$15,086,545 an increase of 28% or \$3,283,124.
- As of September 30, 2023, the City's general fund reported ending combined unassigned and assigned fund balance of \$13,518,629 or 114% of total general fund expenditures compared to the prior year of \$8,189,474 or 91% of total general fund expenditures in the prior year
- During the year ended September 30, 2023, a prior year error was detected whereby the capital assets of the governmental activities were overstated by \$754,104 caused by double counting of construction costs of the new community center that was placed into service during the year ended September 30, 2022. The previously reported balances of the governmental activities' capital assets and net position have been restated to reflect the correction of this error.

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, code enforcement, 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 utilities. 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 three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains two governmental funds, the general fund and the impact fee special revenue 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. 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 and information about the City's other post-employment benefit liability.

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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 24,530,176	\$ 18,832,898	\$ 19,791,554	\$ 18,877,949	\$ 44,321,730	\$ 37,710,847
Capital assets	19,081,643	17,759,489	54,932,209	42,296,406	74,013,852	60,055,895
Total assets	<u>43,611,819</u>	<u>36,592,387</u>	<u>74,723,763</u>	<u>61,174,355</u>	<u>118,335,582</u>	<u>97,766,742</u>
Deferred Outflows	553,876	436,217	116,000	77,378	669,876	513,595
Long-term liabilities	6,349,220	6,383,613	19,752,379	11,451,431	26,101,599	17,835,044
Other liabilities	873,500	419,290	2,427,952	1,011,017	3,301,452	1,430,307
Total liabilities	<u>7,222,720</u>	<u>6,802,903</u>	<u>22,180,331</u>	<u>12,462,448</u>	<u>29,403,051</u>	<u>19,265,351</u>
Deferred Inflows	551,856	641,109	1,712	2,212	553,568	643,321
Net position:						
Net investment in capital assets	13,428,476	12,154,097	34,066,303	30,958,791	47,494,779	43,112,888
Restricted	9,669,575	9,516,822	13,353,676	11,227,256	23,023,251	20,744,078
Unrestricted	<u>13,293,068</u>	<u>7,913,673</u>	<u>5,237,741</u>	<u>6,601,026</u>	<u>18,530,809</u>	<u>14,514,699</u>
Total net position	<u>\$ 36,391,119</u>	<u>\$ 29,584,592</u>	<u>\$ 52,657,720</u>	<u>\$ 48,787,073</u>	<u>\$ 89,048,839</u>	<u>\$ 78,371,665</u>

Approximately 53% 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 55% 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 26% of the City's net position represents resources that are subject to external restrictions on how they may be used, compared to 26% for the prior year. The remaining balance of unrestricted net position, \$18,530,809 or 21% of net position may be used to meet the City's ongoing obligations to citizens and creditors.

On September 30, 2023 and 2022, 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, 2023

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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 4,465,341	\$ 4,412,330	\$ 5,151,862	\$ 4,660,345	\$ 9,617,203	\$ 9,072,675
Operating grants and contributions	535,060	367,844	-	-	535,060	367,844
Capital grants and contributions	2,065,905	2,326,570	3,035,242	12,585,529	5,101,147	14,912,099
<i>General revenues:</i>						
Property taxes	5,533,132	3,937,628	-	-	5,533,132	3,937,628
Franchise/Public Ser. Tax	2,084,611	1,676,014	-	-	2,084,611	1,676,014
Fuel taxes	450,907	332,964	-	-	450,907	332,964
State shared revenues	1,486,436	1,091,395	-	-	1,486,436	1,091,395
Other	1,709,327	427,594	-	-	1,709,327	427,594
Total revenues	<u>18,330,719</u>	<u>14,572,339</u>	<u>8,187,104</u>	<u>17,245,874</u>	<u>26,517,823</u>	<u>31,818,213</u>
Expenses:						
General government	2,615,380	2,361,987	-	-	2,615,380	2,361,987
Police	2,155,010	1,754,575	-	-	2,155,010	1,754,575
Fire	1,919,529	1,623,160	-	-	1,919,529	1,623,160
Code enforcement	59,390	85,909	-	-	59,390	85,909
Streets	1,003,260	861,783	-	-	1,003,260	861,783
Sanitation	1,434,454	910,479	-	-	1,434,454	910,479
Parks and recreation	1,415,280	221,604	-	-	1,415,280	221,604
Cemetery	9,623	11,500	-	-	9,623	11,500
Interest on long-term debt	158,162	160,903	-	-	158,162	160,903
Water	-	-	1,892,733	1,815,075	1,892,733	1,815,075
Sewer	-	-	2,234,560	1,856,585	2,234,560	1,856,585
Stormwater	-	-	189,164	139,861	189,164	139,861
Total expenses	<u>10,770,088</u>	<u>7,991,900</u>	<u>4,316,457</u>	<u>3,811,521</u>	<u>15,086,545</u>	<u>11,803,421</u>
Change in Net Position	<u>7,560,631</u>	<u>6,580,439</u>	<u>3,870,647</u>	<u>13,434,353</u>	<u>11,431,278</u>	<u>20,014,792</u>
Net position - October 1	29,584,592	23,004,153	48,787,073	35,352,720	78,371,665	58,356,873
Restatement	(754,104)	-	-	-	(754,104)	-
Net position - September 30	<u>\$ 36,391,119</u>	<u>\$ 29,584,592</u>	<u>\$ 52,657,720</u>	<u>\$ 48,787,073</u>	<u>\$ 89,048,839</u>	<u>\$ 78,371,665</u>

CITY OF DAVENPORT, FLORIDA

Management's Discussion and Analysis

September 30, 2023

Governmental activities

Governmental activities increased the City's net position by \$7,560,631 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 \$6,580,439. The cause of the improvement from the prior year is due mainly to an increase in revenue of \$3,758,380 (26%) which was partially offset by a \$2,778,188 (35%) increase in expenses.

The main drivers of the increased revenue were as follows:

- Increased property tax revenue of \$1,595,504 (41%) due to increased property development and increasing property values.
- State shared revenue, franchise fees and fuel taxes increased by a combined \$921,581 or 30% due to increased property development within the expanding city limits and due to increased economic activity overall.
- Earnings on surplus cash deposits increased by \$1,431,600 due to more surplus cash deposits being placed in interest bearing certificates of deposit.

Expenses increased due to broad increases in costs or increased purchases including the following:

- Parks and recreation expenses increased by \$1,193,676 but this is mainly caused by the prior period error correction discussed earlier. The prior period error understated the prior year parks and recreation expenses by \$754,104 and once this is taken into account, parks and recreation expenses actually increased by \$439,572 or 45% mainly due to a \$449,000 increase in personnel related expenses due to increased staffing in this function.
- Sanitation expenses increased by \$523,975 or 58% due to increased sanitation customers and increased sanitation removal and disposal costs.
- Police expenses increased by \$400,435 or 23% mainly due to increased personnel related expenses of \$300,800 (22%) caused by increasing personnel costs as well as increased staffing in this function.

Business-type activities

Business-type activities increased the City's net position by \$3,870,647 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 \$13,434,353. The main reason for the decrease in the change in net position in the current year as compared to the prior year is mainly due to a \$9,058,770 (53%) decrease in revenue and a \$504,936 (13%) increase in expenses.

The main drivers of the decreased revenue were as follows:

- Increased charges for services of \$491,517 (11%) as additional construction within the City has added customers to the City utilities.
- Decreased capital grants and contributions of \$9,550,287 (76%) due to decreased impact fees of \$504,950 (16%), decreased grants of approximately \$5,016,280 (100%) and decreased donations of water and sewer infrastructure of approximately \$4,029,000 (92%). These decreases are largely due to decreased construction related activity within the City.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

As of September 30, 2023, the City's governmental funds reported a combined ending fund balance of \$23,231,928. This is an increase of \$5,309,937 or 30% from last year.

Approximately \$13,518,000 (58%) 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 approximately \$5,330,000 (65%) from last year. The remainder of fund balance totaling \$9,713,299 is nonspendable, restricted or committed for the specific purpose for which the monies were collected.

General Fund: In the general fund, the City's revenue exceeded its expenditures by \$5,177,388 as compared to \$3,861,355 in the prior year. Total revenues were up \$4,184,923 (33%) over the prior year and expenditures increased \$2,868,890 (32%) from 2022. The main cause of the increase in revenue is related to a \$2,224,417 (36%) increase in tax revenue and increased earnings on surplus cash deposits of \$1,431,600 due to more surplus cash deposits being placed in interest bearing certificates of deposit. The increase in taxes was caused by increased property values, new construction within the City and increased economic activity overall.

Expenditures increased mainly due to the following:

- A \$1,423,909 or 136% increase in capital outlay expenditures due to increased building improvement projects and equipment purchases.
- Personnel-related expenditures increased by approximately \$545,000 or 10% due to general cost increases and additional staffing.
- Sanitation expenditures increased by \$523,975 or 58% due to increased sanitation customers and increased sanitation removal and disposal costs.

Impact Fee Special Revenue Fund – This fund was established effective October 1, 2021 to account for impact fees other than water and sewer impact fees. Total revenue consisted entirely of impact fees and totaled \$1,292,138 and expenditures totaled \$1,173,524 for a positive net change in fund balance of \$118,614. Expenditures were for capital related expenditures and debt service on projects that were necessitated by new residential and commercial growth within the City.

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 \$876,391 in the current year as compared to an operating profit of \$984,399 for the prior year. The main reason for the decrease in operational results of the water and wastewater enterprise fund is increased charges for services revenue of \$462,679 (10%) which was more than offset by an increase in operating expenses of \$570,687 (17%). This increase in operating expenses was due to an approximate increase in personnel related costs of \$125,000 (13%), an increase in other operating expenses of \$267,900 (17%) and increased depreciation expense of \$178,300 (20%). Increased depreciation expense is due to recent additions to the water and sewer system as well as developer donations of infrastructure systems that are capitalized and that add to depreciation expense.

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 2023 budget was amended to increase budgeted resources (revenues and other financing sources) by \$5,025,085 (42%) and to decrease budgeted outflows (expenditures) by \$4,030,212 (26%). Budgetary resources received were \$57,125 more than the final budgeted amount and budgetary charges to appropriation were \$348,410 more than the budgeted amount mainly due to development services expenditures that were more than the budgeted amounts. This resulted in an overall favorable budgetary variance for 2023 of \$291,284.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The investment in capital assets includes land, buildings, improvements, infrastructure, 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 1,062,757	\$ 826,352	\$ 1,020,361	\$ 1,020,361	\$ 2,083,118	\$ 1,846,713
Buildings and improvements	12,480,247	12,024,240	27,876,779	28,180,528	40,357,026	40,204,768
Equipment	2,028,623	1,739,284	1,332,055	1,058,530	3,360,678	2,797,814
Infrastructure	2,308,858	2,369,019	-	-	2,308,858	2,369,019
Construction in progress	1,201,158	46,490	24,703,014	12,036,987	25,904,172	12,083,477
Total	<u>\$ 19,081,643</u>	<u>\$ 17,005,385</u>	<u>\$ 54,932,209</u>	<u>\$ 42,296,406</u>	<u>\$ 74,013,852</u>	<u>\$ 59,301,791</u>

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$74,013,852 (net of accumulated depreciation). That is an increase of \$14,712,061 or 25% 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue notes	\$ 5,325,346	\$ 5,605,392	\$ 19,570,805	\$ 11,337,615	\$ 24,896,151	\$ 16,943,007
Other liabilities	1,023,874	778,221	181,574	113,816	1,205,448	892,037
Less amount due in one year	<u>(285,356)</u>	<u>(280,130)</u>	<u>(712,211)</u>	<u>(540,623)</u>	<u>(997,567)</u>	<u>(820,753)</u>
Total	<u>\$ 6,063,864</u>	<u>\$ 6,103,483</u>	<u>\$ 19,040,168</u>	<u>\$ 10,910,808</u>	<u>\$ 25,104,032</u>	<u>\$ 17,014,291</u>

At the end of the current fiscal year, the governmental activities had total long-term obligations outstanding of \$6,349,220, a decrease of \$34,393 or 1%. The long-term obligations consist of compensated absences totaling \$411,560, net pension liabilities totaling \$294,754, OPEB liability totaling \$317,560 and notes payable of \$5,325,346.

The business-type activities had total long-term obligations outstanding of \$19,752,379 which is a net increase of \$8,300,948 (72%) over the prior year. The increase was due to current year borrowings for water and wastewater system improvements of \$8,826,547 which was partially offset by principal reductions of \$593,357 due to normal principal payments for a long-term *debt* balance at September 30, 2023 of \$19,570,805. The business-type activities also report \$75,593 of compensated absences, \$56,027 of net pension liabilities and a total OPEB liability of \$49,954.

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The City of Davenport is still one of the fastest growing spots in the State of Florida, as the housing boom continues with no end in sight. Over the past few years more than 1,500 new homes have been built with a current population nearing 15,000 residents. The City remains an idea landing spot because of its location along Interstate 4 between Orlando and Tampa and proximity to Disney and the other area attractions. The City’s property values continue to climb at a very rapid rate. The City once again realized an incredible 38% increase in property values from \$765,144,021 in 2023 to \$1,055,344,669 in 2024. This is the third year in a row that the City has realized over a 30% increase in property values. 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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,880,342	\$ 5,108,893	\$ 18,989,235
Receivables, current:			
Intergovernmental	185,394	-	185,394
Franchise and public service taxes	177,410	-	177,410
Customer accounts, net	55,347	400,091	455,438
Leases	494,134	-	494,134
Prepaid expenses	5,124	-	5,124
Restricted assets:			
Cash and cash equivalents	9,732,425	14,282,570	24,014,995
Capital Assets:			
Non-depreciable	2,263,915	25,723,375	27,987,290
Depreciable, net	16,817,728	29,208,834	46,026,562
TOTAL ASSETS	43,611,819	74,723,763	118,335,582
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	553,876	116,000	669,876
LIABILITIES			
Accounts payable	281,177	170,947	452,124
Accrued payroll	84,020	32,968	116,988
Construction payable	327,821	1,295,101	1,622,922
Due to other governments	45,034	42	45,076
Accrued interest payable	46,381	29,757	76,138
Customer deposits	89,067	899,137	988,204
Long-term obligations:			
Due within one year	285,356	712,211	997,567
Due in more than one year	6,063,864	19,040,168	25,104,032
TOTAL LIABILITIES	7,222,720	22,180,331	29,403,051
DEFERRED INFLOWS OF RESOURCES			
Pension related	80,727	1,712	82,439
Lease related	471,129	-	471,129
TOTAL DEFERRED INFLOWS OF RESOURCES	551,856	1,712	553,568
NET POSITION			
Net investment in capital assets	13,428,476	34,066,303	47,494,779
Restricted for:			
Debt service	-	241,558	241,558
Parks and recreation improvements (impact fees)	2,232,245	-	2,232,245
Fire protection improvements (impact fees)	318,900	-	318,900
Law enforcement improvements (impact fees)	69,581	-	69,581
Public building improvements (impact fees)	1,039,056	-	1,039,056
Transportation infrastructure (impact fees)	1,821,238	-	1,821,238
Transportation infrastructure (gas taxes)	140,594	-	140,594
Building code enforcement	4,029,108	-	4,029,108
Crime prevention	18,853	-	18,853
Pension benefits	-	-	-
Water system improvements (impact fees)	-	7,250,646	7,250,646
Wastewater system improvements (impact fees)	-	5,861,472	5,861,472
Unrestricted	13,293,068	5,237,741	18,530,809
TOTAL NET POSITION	\$ 36,391,119	\$ 52,657,720	\$ 89,048,839

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA
Government-Wide Statement of Activities
for the year ended September 30, 2023

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	\$ 2,615,380	\$ 2,472,015	\$ 210,663	\$ 411,317	\$ 478,615	\$ -	\$ 478,615
Police	2,155,010	88,367	205,881	140,909	(1,719,853)	-	(1,719,853)
Fire	1,919,529	-	118,516	223,685	(1,577,328)	-	(1,577,328)
Code enforcement	59,390	45,434	-	-	(13,956)	-	(13,956)
Streets	1,003,260	14,723	-	256,650	(731,887)	-	(731,887)
Sanitation	1,434,454	1,616,257	-	-	181,803	-	181,803
Parks and recreation	1,415,280	205,245	-	1,033,344	(176,691)	-	(176,691)
Cemetery	9,623	23,300	-	-	13,677	-	13,677
Interest on long-term debt	158,162	-	-	-	(158,162)	-	(158,162)
Total governmental activities	10,770,088	4,465,341	535,060	2,065,905	(3,703,782)	-	(3,703,782)
Business-type activities							
Water utility	1,892,733	2,850,374	-	1,406,376	-	2,364,017	2,364,017
Sewer utility	2,234,560	2,044,172	-	1,628,866	-	1,438,478	1,438,478
Stormwater utility	189,164	257,316	-	-	-	68,152	68,152
Total business-type activities	4,316,457	5,151,862	-	3,035,242	-	3,870,647	3,870,647
TOTAL PRIMARY GOVERNMENT	\$ 15,086,545	\$ 9,617,203	\$ 535,060	\$ 5,101,147	(3,703,782)	3,870,647	166,865
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					5,533,132	-	5,533,132
Franchise taxes					774,259	-	774,259
Public service taxes					1,310,352	-	1,310,352
Fuel taxes for transportation purposes					450,907	-	450,907
State shared revenue					1,486,436	-	1,486,436
Investment earnings					1,642,804	-	1,642,804
Gain (loss) on disposal of property					21,356	-	21,356
Other revenues					45,167	-	45,167
Total general revenues					11,264,413	-	11,264,413
Change in net position					7,560,631	3,870,647	11,431,278
NET POSITION, beginning of year					29,584,592	48,787,073	78,371,665
Restatement (Note 17)					(754,104)	-	(754,104)
NET POSITION, beginning - as restated					28,830,488	48,787,073	77,617,561
NET POSITION, end of year					\$ 36,391,119	\$ 52,657,720	\$ 89,048,839

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA
Balance Sheet – Governmental Funds
September 30, 2023

	General Fund	Impact Fee Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 13,880,342	\$ 5,481,020	\$ 19,361,362
Receivables:			
Intergovernmental	185,394	-	185,394
Franchise and public service taxes	177,410	-	177,410
Customer accounts, net	55,347	-	55,347
Leases	494,134	-	494,134
Prepaid expenditures	5,124	-	5,124
Restricted assets:			
Cash and cash equivalents	4,251,405	-	4,251,405
TOTAL ASSETS	\$ 19,049,156	\$ 5,481,020	\$ 24,530,176
LIABILITIES			
Accounts payable	281,177	-	281,177
Construction costs payable	327,821	-	327,821
Accrued payroll	84,020	-	84,020
Due to other governments	45,034	-	45,034
Customer deposits	89,067	-	89,067
TOTAL LIABILITIES	827,119	-	827,119
DEFERRED INFLOWS OF RESOURCES			
Lease related	471,129	-	471,129
FUND BALANCE			
Nonspendable:			
Prepaid expenditures	5,124	-	5,124
Restricted:			
Parks and recreation improvements (impact fees)	-	2,232,245	2,232,245
Fire protection improvements (impact fees)	-	318,900	318,900
Law enforcement improvements (impact fees)	-	69,581	69,581
Public building improvements (impact fees)	-	1,039,056	1,039,056
Transportation infrastructure (impact fees)	-	1,821,238	1,821,238
Transportation infrastructure (gas taxes)	140,594	-	140,594
Building code enforcement	4,029,108	-	4,029,108
Crime prevention	18,853	-	18,853
Committed for:			
Cemetery perpetual care	38,600	-	38,600
Assigned for:			
Fire department	6,067	-	6,067
Police department	6,391	-	6,391
Unassigned	13,506,171	-	13,506,171
TOTAL FUND BALANCE	17,750,908	5,481,020	23,231,928
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 19,049,156	\$ 5,481,020	\$ 24,530,176

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

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

September 30, 2023

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 23,231,928
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,081,643
Deferred outflows of resources represent a decrease in net assets that applies to a future period(s) and, therefore, are not reported in the governmental funds.	553,876
Deferred inflows of resources represent an increase in net assets that applies to a future period(s) and, therefore, are not reported in the governmental funds.	(80,727)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(46,381)
Long-term liabilities, including bonds and notes payable, compensated absences, other postemployment benefit liability 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.	(6,349,220)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 36,391,119</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
for the year ended September 30, 2023

	<u>General Fund</u>	<u>Impact Fee Special Revenue Fund</u>	<u>Total</u>
REVENUES:			
Taxes	\$ 8,382,911	\$ -	\$ 8,382,911
Licenses and permits	2,719,667	-	2,719,667
Intergovernmental revenue	1,740,743	-	1,740,743
Charges for services	2,100,822	-	2,100,822
Fines and forfeitures	88,635	-	88,635
Impact fees	-	1,292,138	1,292,138
Other	1,991,867	-	1,991,867
Total revenues	<u>17,024,645</u>	<u>1,292,138</u>	<u>18,316,783</u>
EXPENDITURES:			
Current:			
General government	2,445,656	-	2,445,656
Public safety	3,721,271	110	3,721,381
Physical environment	1,441,216	-	1,441,216
Transportation	712,442	-	712,442
Culture/recreation	1,017,242	110	1,017,352
Capital outlay	2,474,562	768,029	3,242,591
Debt service	34,868	405,275	440,143
Total expenditures	<u>11,847,257</u>	<u>1,173,524</u>	<u>13,020,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,177,388</u>	<u>118,614</u>	<u>5,296,002</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	13,935	-	13,935
Total other financing sources (uses)	<u>13,935</u>	<u>-</u>	<u>13,935</u>
NET CHANGE IN FUND BALANCE	5,191,323	118,614	5,309,937
FUND BALANCE, beginning of year	<u>12,559,585</u>	<u>5,362,406</u>	<u>17,921,991</u>
FUND BALANCE, end of year	<u>\$ 17,750,908</u>	<u>\$ 5,481,020</u>	<u>\$ 23,231,928</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDAReconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities
for the year ended September 30, 2023

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 5,309,937
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.	3,197,939
This is the amount of depreciation expense recorded in the current period.	(1,121,681)
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 long-term debt principal during the year.	280,046
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.	(67,977)
This is the change in the total OPEB liability during the year.	(40,969)
This is the change in accrued interest payable during the year.	1,936
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.	117,659
This amount represents the change in deferred inflows related to pensions.	20,448
This amount represents the change in the net pension liability.	(136,707)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,560,631</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Statement of Net Position – Proprietary Funds

September 30, 2023

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Non-major Stormwater Fund	Total Enterprise Funds
	Fund	Fund	Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,998,573	\$ 110,320	\$ 5,108,893
Customer accounts receivable, net	400,091	-	400,091
Total current assets	<u>5,398,664</u>	<u>110,320</u>	<u>5,508,984</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	14,263,729	18,841	14,282,570
Capital assets:			
Non-depreciable	25,510,840	212,535	25,723,375
Depreciable, net	<u>28,793,881</u>	<u>414,953</u>	<u>29,208,834</u>
Total noncurrent assets	<u>68,568,450</u>	<u>646,329</u>	<u>69,214,779</u>
TOTAL ASSETS	<u>73,967,114</u>	<u>756,649</u>	<u>74,723,763</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	<u>116,000</u>	<u>-</u>	<u>116,000</u>
LIABILITIES			
Current liabilities:			
Accounts payable	165,904	5,043	170,947
Construction payable	1,295,101	-	1,295,101
Accrued payroll	32,091	877	32,968
Due to other governments	42	-	42
Bonds and notes payable, current	<u>680,056</u>	<u>32,155</u>	<u>712,211</u>
Total current liabilities	<u>2,173,194</u>	<u>38,075</u>	<u>2,211,269</u>
Noncurrent liabilities:			
Compensated absences	69,908	5,685	75,593
Liabilities payable from restricted assets:			
Accrued interest payable	29,697	60	29,757
Customer deposits	899,137	-	899,137
Net pension liabilities	56,027	-	56,027
OPEB liability payable	45,085	4,869	49,954
Bonds and notes payable, noncurrent portion	<u>18,858,594</u>	<u>-</u>	<u>18,858,594</u>
Total noncurrent liabilities	<u>19,958,448</u>	<u>10,614</u>	<u>19,969,062</u>
TOTAL LIABILITIES	<u>22,131,642</u>	<u>48,689</u>	<u>22,180,331</u>
DEFERRED INFLOWS			
Pension related	<u>1,712</u>	<u>-</u>	<u>1,712</u>
NET POSITION			
Net investment in capital assets	33,470,970	595,333	34,066,303
Restricted (expendable) for:			
Revenue bond retirement	222,777	18,781	241,558
Water system improvements (impact fees)	7,250,646	-	7,250,646
Sewer system improvements (impact fees)	5,861,472	-	5,861,472
Unrestricted	<u>5,143,895</u>	<u>93,846</u>	<u>5,237,741</u>
TOTAL NET POSITION	<u>\$ 51,949,760</u>	<u>\$ 707,960</u>	<u>\$ 52,657,720</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, 2023

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Non-major Stormwater Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 4,894,546	\$ 257,316	\$ 5,151,862
Total operating revenues	<u>4,894,546</u>	<u>257,316</u>	<u>5,151,862</u>
OPERATING EXPENSES:			
Personnel services	1,059,833	62,155	1,121,988
Operating expenses	1,872,926	103,358	1,976,284
Depreciation expense	1,085,396	22,410	1,107,806
Total operating expenses	<u>4,018,155</u>	<u>187,923</u>	<u>4,206,078</u>
OPERATING INCOME	<u>876,391</u>	<u>69,393</u>	<u>945,784</u>
NONOPERATING REVENUE (EXPENSE)			
Interest expense	(182,415)	(1,241)	(183,656)
Other income	73,277	-	73,277
Total nonoperating revenues (expense)	<u>(109,138)</u>	<u>(1,241)</u>	<u>(110,379)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>767,253</u>	<u>68,152</u>	<u>835,405</u>
CAPITAL CONTRIBUTIONS			
Impact fees	2,674,548	-	2,674,548
Donated infrastructure	360,694	-	360,694
Total capital contributions	<u>3,035,242</u>	<u>-</u>	<u>3,035,242</u>
CHANGE IN NET POSITION	<u>3,802,495</u>	<u>68,152</u>	<u>3,870,647</u>
NET POSITION, beginning of year	<u>48,147,265</u>	<u>639,808</u>	<u>48,787,073</u>
NET POSITION, end of year	<u>\$ 51,949,760</u>	<u>\$ 707,960</u>	<u>\$ 52,657,720</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Statement of Cash Flows – Proprietary Funds
for the year ended September 30, 2023

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Non-major Stormwater Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 4,924,203	\$ 257,316	\$ 5,181,519
Other cash receipts	73,277	-	73,277
Payments to suppliers	(1,838,561)	(104,800)	(1,943,361)
Payments for salaries and benefits	(1,029,313)	(60,821)	(1,090,134)
Net cash flows from operating activities	<u>2,129,606</u>	<u>91,695</u>	<u>2,221,301</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets, net of related payables	(12,087,814)	-	(12,087,814)
Loan proceeds	8,826,547	-	8,826,547
Principal paid on long-term debt	(561,926)	(31,431)	(593,357)
Interest paid on borrowings	(186,565)	(1,242)	(187,807)
Impact fees received	2,674,548	-	2,674,548
Capital grants received, net of change in related receivable	165,821	-	165,821
Net cash flows from capital and related financing activities	<u>(1,169,389)</u>	<u>(32,673)</u>	<u>(1,202,062)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	960,217	59,022	1,019,239
CASH AND CASH EQUIVALENTS, beginning of year	<u>18,302,085</u>	<u>70,139</u>	<u>18,372,224</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 19,262,302</u></u>	<u><u>\$ 129,161</u></u>	<u><u>\$ 19,391,463</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 876,391	69,393	\$ 945,784
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,085,396	22,410	1,107,806
Nonoperating payments reported as operating cash flows	73,277	-	73,277
(Increase) decrease in accounts receivable	(70,794)	-	(70,794)
(Increase) decrease in prepaid expenses	10,607	-	10,607
Increase (decrease) in customer deposits	100,451	-	100,451
Increase (decrease) in accounts payable	23,758	(1,442)	22,316
Increase (decrease) in accrued wages and comp absences	15,994	788	16,782
Increase (decrease) in the total OPEB liability	12,960	546	13,506
(Increase) decrease in deferred outflows related to pensions	(38,622)	-	(38,622)
Increase (decrease) in deferred inflows related to pensions	(500)	-	(500)
Increase (decrease) in the net pension liability	40,688	-	40,688
Net cash flows from operating activities	<u>\$ 2,129,606</u>	<u>\$ 91,695</u>	<u>\$ 2,221,301</u>
As shown in the Accompanying Financial Statements			
Cash and cash equivalents	\$ 4,998,573	\$ 110,320	\$ 5,108,893
Restricted cash and cash equivalents	14,263,729	18,841	14,282,570
Total cash and cash equivalents	<u><u>\$ 19,262,302</u></u>	<u><u>\$ 129,161</u></u>	<u><u>\$ 19,391,463</u></u>
Noncash financing and investing activities:			
Donated infrastructure capital assets	<u>\$ 360,694</u>	<u>\$ -</u>	<u>\$ 360,694</u>

See Accompanying Notes to Financial Statements

CITY OF DAVENPORT, FLORIDA

Statement of Fiduciary Net Position – Fiduciary Funds

September 30, 2023

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 4,035,960
Receivables:		
State	314,262	-
Members	9,338	-
Total receivables	<u>323,600</u>	<u>-</u>
Investments:		
Short-term money market fund	114,275	-
Fixed income mutual fund	1,004,653	-
Equity mutual funds	1,807,509	-
Total investments	<u>2,926,437</u>	<u>-</u>
Total assets	<u>3,250,037</u>	<u>4,035,960</u>
LIABILITIES		
Accounts payable	5,492	-
Benefits and refunds payable	8,336	-
Due to other governments	-	4,035,960
Total liabilities	<u>13,828</u>	<u>4,035,960</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 3,236,209</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, 2023

	Pension Trust Funds	Custodial Fund
ADDITIONS		
Contributions:		
City	\$ 403,463	\$ -
Plan members	217,413	-
State of Florida	314,262	-
Fee collected on behalf of other governments	-	6,032,578
Total contributions	<u>935,138</u>	<u>6,032,578</u>
Investment income	<u>202,453</u>	-
Less: investment expenses		
Custodial fees	8,000	-
Performance evaluation	10,062	-
Total investment expenses	<u>18,062</u>	-
Net investment income	<u>184,391</u>	-
Total additions	<u>1,119,529</u>	<u>6,032,578</u>
DEDUCTIONS		
Administrative expenses:		
Legal	6,301	-
Administrator fee	26,100	-
Actuarial	35,368	-
Total administrative expenses	<u>67,769</u>	-
Benefit payments and refunds of member contributions	76,689	-
Remittance of fees to other governments	-	6,032,578
Total deductions	<u>144,458</u>	<u>6,032,578</u>
CHANGE IN NET POSITION	975,071	-
NET POSITION, beginning of year	<u>2,261,138</u>	-
NET POSITION, end of year	<u>\$ 3,236,209</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:** The 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.
- **Impact Fee Special Revenue Fund:** In response to the requirements of Section 163.31801, Florida Statutes, this fund was created to account for the financial transactions of the City impact fees other than water and sewer impact fees, which are accounted for in the enterprise 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 water, sewer and sanitation utility services. 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, 2023, 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 \$190,500 on September 30, 2023. 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, 2023, the allowance for doubtful accounts associated with the receivables of the enterprise fund and the general fund totaled \$91,637 and \$37,849 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 \$5,000 or more and an estimated useful life in excess of one year. 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 assets 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two items that qualify for reporting as deferred inflows of resources. The first 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 in pension expense in future reporting years. The second item is deferred inflows related to leases which is the total unrecognized revenue to be received from the City's antenna placement leases.

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 \$314,262 for the fiscal year ended September 30, 2023. 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.

LEASES -

Lessee: The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements and the enterprise fund financial statements when the initial, individual values of the lease liability is considered material and this decision is assessed on a case by case basis as new leases are executed.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for two noncancellable antenna placement leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determine (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset, receivable, liability and/or deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease liability.

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, 2023 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.

For the year ended September 30, 2023, total actual expenditures exceeded total fund budgeted appropriations by \$348,409 caused by departmental overexpenditures in the legal, development services, fire protection, code enforcement, cemetery management and general government departments.

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(17), 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.

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.

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

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

The investment securities held by the City's pension trust funds have the following carrying values as of September 30, 2023, based upon the measurement criteria as specified.

General Employees' Pension Trust Fund:

	September 30, 2023	Level 1	Level 2	Level 3
Investments at fair value:				
Fixed income mutual fund	\$ 492,590	\$ 492,590	\$ -	\$ -
Equity mutual funds	893,976	893,976	-	-
Total investments at fair value	1,386,566	\$ 1,386,566	\$ -	\$ -
Investments measured at amortized cost				
Short-term money market fund	60,623			
Total investments	\$ 1,447,189			

Police Officers' and Firefighters' Pension Trust Fund:

	September 30, 2023	Level 1	Level 2	Level 3
Investments at fair value:				
Fixed income mutual fund	\$ 512,063	\$ 512,063	\$ -	\$ -
Equity mutual funds	913,533	913,533	-	-
Total investments at fair value	1,425,596	\$ 1,425,596	\$ -	\$ -
Investments measured at amortized cost				
Short-term money market fund	53,652			
Total investments	\$ 1,479,248			

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	\$ 60,623	0.10
Fixed income mutual funds	Not Rated	492,590	6.55
Total		\$ 553,213	

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

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	\$ 53,652	0.10
Fixed income mutual funds	Not Rated	512,063	6.55
Total		\$ 565,715	

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, 2023 (excluding investments issued or explicitly guaranteed by the U.S. government or those in pooled investments).

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CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2023, was as follows:

	Balance October 1, 2022(*)	Transfers	Increases	Decreases	Balance September 30, 2023
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 826,352	\$ -	\$ 236,405	\$ -	\$ 1,062,757
Construction-in-progress	46,490	(734,850)	1,889,518	-	1,201,158
Total capital assets, not being depreciated	<u>872,842</u>	<u>(734,850)</u>	<u>2,125,923</u>	<u>-</u>	<u>2,263,915</u>
Capital assets, being depreciated:					
Buildings & improvements	14,239,324	734,850	249,709	-	15,223,883
Equipment	4,057,907	-	721,334	-	4,779,241
Infrastructure:					
Road network	2,492,890	-	70,149	-	2,563,039
Sidewalk network	840,359	-	30,824	-	871,183
Total capital assets, being depreciated	<u>21,630,480</u>	<u>734,850</u>	<u>1,072,016</u>	<u>-</u>	<u>23,437,346</u>
Less accumulated depreciation for:					
Buildings & improvements	(2,215,084)	-	(528,552)	-	(2,743,636)
Equipment	(2,318,623)	-	(431,995)	-	(2,750,618)
Infrastructure:					
Road network	(628,907)	-	(119,741)	-	(748,648)
Sidewalk network	(335,323)	-	(41,393)	-	(376,716)
Total accumulated depreciation	<u>(5,497,937)</u>	<u>-</u>	<u>(1,121,681)</u>	<u>-</u>	<u>(6,619,618)</u>
Total capital assets being depreciated, net	<u>16,132,543</u>	<u>734,850</u>	<u>(49,665)</u>	<u>-</u>	<u>16,817,728</u>
Governmental activities capital assets, net	<u>\$ 17,005,385</u>	<u>\$ -</u>	<u>\$ 2,076,258</u>	<u>\$ -</u>	<u>\$ 19,081,643</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,020,361	\$ -	\$ -	\$ -	\$ 1,020,361
Construction-in-progress	12,036,987	-	12,666,027	-	24,703,014
Total capital assets, not being depreciated	<u>13,057,348</u>	<u>-</u>	<u>12,666,027</u>	<u>-</u>	<u>25,723,375</u>
Capital assets, being depreciated:					
Buildings and improvements	35,823,707	-	625,335	-	36,449,042
Equipment	1,533,437	-	452,247	-	1,985,684
Total capital assets, being depreciated	<u>37,357,144</u>	<u>-</u>	<u>1,077,582</u>	<u>-</u>	<u>38,434,726</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,643,179)	-	(929,084)	-	(8,572,263)
Equipment	(474,907)	-	(178,722)	-	(653,629)
Total accumulated depreciation	<u>(8,118,086)</u>	<u>-</u>	<u>(1,107,806)</u>	<u>-</u>	<u>(9,225,892)</u>
Total capital assets being depreciated, net	<u>29,239,058</u>	<u>-</u>	<u>(30,224)</u>	<u>-</u>	<u>29,208,834</u>
Business-type activities capital assets, net	<u>\$ 42,296,406</u>	<u>\$ -</u>	<u>\$ 12,635,803</u>	<u>\$ -</u>	<u>\$ 54,932,209</u>

(*) – the previously reported October 1, 2022 balances have been restated to correct an error. See Note 17 for more information.

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	110,502
Building code enforcement		19,374
Law enforcement		192,524
Fire protection		169,312
Roads and streets		254,442
Parks and recreation		372,666
Cemetery		2,861
Total depreciation expense - governmental activities	\$	<u>1,121,681</u>

Business-type Activities:

Water	\$	624,552
Sewer		460,844
Stormwater		22,410
Total depreciation expense - business-type activities	\$	<u>1,107,806</u>

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CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term debt:					
Notes payable:					
Capital improvement revenue note, series 2011	\$ 247,594	\$ -	\$ (30,020)	\$ 217,574	\$ 30,000
Capital improvement revenue note, series 2020	451,238	-	(60,355)	390,883	60,355
Capital improvement revenue note, series 2020A	4,906,560	-	(189,671)	4,716,889	195,001
Total long-term debt	<u>5,605,392</u>	<u>-</u>	<u>(280,046)</u>	<u>5,325,346</u>	<u>285,356</u>
Other liabilities:					
Compensated absences	343,583	67,977	-	411,560	-
Total OPEB liability	276,591	40,969	-	317,560	-
Net pension liabilities	158,047	136,707	-	294,754	-
Total long-term liabilities	<u>\$ 6,383,613</u>	<u>\$ 245,653</u>	<u>\$ (280,046)</u>	<u>6,349,220</u>	<u>\$ 285,356</u>
Less amounts due in one year				<u>(285,356)</u>	
Net long-term liabilities due after one year				<u>\$ 6,063,864</u>	
<u>Business-type Activities:</u>					
Long-term debt:					
Revenue certificates (State Revolving Fund Loans):					
Loan - DW5312010	\$ 45,865	\$ -	\$ (4,231)	\$ 41,634	\$ 4,361
Loan - DW5312020	945,807	-	(115,045)	830,762	118,277
Loan - DW530700	338,367	-	(45,793)	292,574	46,616
Loan - SW120 86503P	63,586	-	(31,431)	32,155	32,155
Loan - WW530710	133,258	-	(4,198)	129,060	6,830
Loan - DW530701	5,283,202	-	(252,822)	5,030,380	254,697
Loan - WW530720	633,951	-	(30,681)	603,270	30,964
Loan - WW530721	-	8,653,335	-	8,653,335	-
Loan - WW530712	3,893,579	173,212	(109,156)	3,957,635	218,311
Total long-term debt	<u>11,337,615</u>	<u>8,826,547</u>	<u>(593,357)</u>	<u>19,570,805</u>	<u>712,211</u>
Other liabilities:					
Compensated absences	62,029	13,564	-	75,593	-
Net pension liabilities	15,339	40,688	-	56,027	-
Total OPEB liability	<u>36,448</u>	<u>13,506</u>	<u>-</u>	<u>49,954</u>	<u>-</u>
Total long-term liabilities	<u>\$ 11,451,431</u>	<u>\$ 8,894,305</u>	<u>\$ (593,357)</u>	<u>19,752,379</u>	<u>\$ 712,211</u>
Less amounts due in one year				<u>(712,211)</u>	
Net long-term liabilities in excess of one year				<u>\$ 19,040,168</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, 2023 was 2.07%. 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 requires semi-annual principal and interest payments 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, 2023 (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, 2023, 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, 2023, 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 were used to fund expansions to the City's water system. On September 30, 2023, 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 were used to fund expansions to the City's water system. On September 30, 2023, the loan has a requirement for a sinking fund totaling \$2,667.
- 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. The loan proceeds were used to fund expansions to the City's water system. On September 30, 2023, the loan has a requirement for a sinking fund totaling \$145,726.
- 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. The loan proceeds were used to fund expansions to the City's wastewater system. On September 30, 2023, the loan has a requirement for a sinking fund totaling \$3,037.
- 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 were used to fund expansions to the City's wastewater system. On September 30, 2023, the loan has a requirement for a sinking fund totaling \$17,593.
- The State of Florida Department of Environmental Protection Clean Water State Revolving Loan (WW530721), dated February 18, 2022, is secured by the water and sewer system net revenues with a zero percent interest rate payable in 40 semi-annual payments of principal and interest on the 15th day of April and October of each year, commencing April 15, 2025. The loan proceeds are being used to fund expansions to the City's wastewater system. The loan agreement was amended on August 23, 2022 and again on April 14, 2023 increasing the maximum disbursable amount to \$21,750,000 of which \$8,653,335 had been drawn as of September 30, 2023 and as of May 31, 2024 the City has drawn \$14,629,532 on this loan.

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, 2023, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 285,356	\$ 154,447	\$ 712,211	\$ 72,570
2025	291,483	145,967	1,068,878	240,311
2026	297,420	137,680	1,804,229	62,062
2027	303,531	129,204	1,811,472	54,819
2028	309,519	120,847	1,818,851	47,440
2029-2033	1,101,007	393,869	7,845,597	149,321
2034-2038	1,346,058	314,856	2,694,143	76,898
2039-2043	1,390,972	104,028	1,815,424	16,925
Total	\$ 5,325,346	\$ 1,500,898	\$ 19,570,805	\$ 720,346

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	Revenue Pledged Through	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	2032	\$ 1,271,585	\$ 197,879	\$ 1,537,576	777.03%
Electric public service taxes	2030	249,881	36,821	821,209	2230.27%
Electric franchise fees	2041	430,804	73,077	645,180	882.88%
Stormwater system net revenue and local option gas taxes	2025	32,694	32,674	498,565	1525.88%
Water, sewer and stormwater system net revenue	2042	18,986,872	550,611	2,053,590	372.97%

NOTE 8 – LEASES

Lease Receivable – The City reports two reportable lease receivables related to antenna lease agreements originally executed in prior years. The lease terms, as amended, were for an initial 5-year period with the option of 5 separate 5-year renewal periods thereafter ending in 2029 and 2031. The City receives monthly payments for one lease and quarterly payments for the other, each of which are increased each year, or at each renewal period, by a 3% annual increase and the City recognized \$57,323 in lease revenue and \$12,833 in interest revenue during the fiscal year related to these two leases. On September 30, 2023, the City’s receivable for lease payments was \$494,134. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. On September 30, 2023, the balance of the deferred inflow of resources was \$471,129.

The future lease receipts were discounted using the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices which was 2.43% as of the restatement date.

NOTE 9 - INTERFUND TRANSACTIONS

There were no interfund receivables or payables as of September 30, 2023 and there were no interfund transfers for the year ended September 30, 2023.

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured solely 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, 2023, 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	\$ 2,850,374	\$ 2,044,172	\$ 4,894,546
Personnel services	(541,532)	(518,301)	(1,059,833)
Operating expenses	(771,266)	(1,101,660)	(1,872,926)
Depreciation expense	(624,552)	(460,844)	(1,085,396)
Operating Income (Loss)	913,024	(36,633)	876,391
Nonoperating expenses:			
Interest expense	(28,660)	(153,755)	(182,415)
Other expense	73,277	-	73,277
Capital contributions:			
Impact fees	1,136,140	1,538,408	2,674,548
Grants and other capital contributions	270,236	90,458	360,694
Change in net position	<u>\$ 2,364,017</u>	<u>\$ 1,438,478</u>	<u>\$ 3,802,495</u>
 Summary information from statement of net position:			
Capital assets, net	<u>\$ 19,987,432</u>	<u>\$ 34,317,286</u>	<u>\$ 54,304,718</u>
Long-term debt, including current portion	<u>\$ 6,195,350</u>	<u>\$ 13,343,300</u>	<u>\$ 19,538,650</u>

NOTE 11 – 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, 2023, the Plans’ statement of fiduciary net position was as follows:

	General Employees' Pension Trust Fund	Police Officers' and Firefighters' Pension Trust Fund	Total
ASSETS			
State	\$ -	\$ 314,262	\$ 314,262
Members	5,470	3,868	9,338
Total receivables	<u>5,470</u>	<u>318,130</u>	<u>323,600</u>
Investments:			
Short-term money market fund	60,623	53,652	114,275
Fixed income mutual fund	492,590	512,063	1,004,653
Equity mutual funds	893,976	913,533	1,807,509
Total investments	<u>1,447,189</u>	<u>1,479,248</u>	<u>2,926,437</u>
Total assets	<u>1,452,659</u>	<u>1,797,378</u>	<u>3,250,037</u>
LIABILITIES			
Accounts payable	2,477	3,015	5,492
Benefits and refunds payable	-	8,336	8,336
Total liabilities	<u>2,477</u>	<u>11,351</u>	<u>13,828</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 1,450,182</u>	<u>\$ 1,786,027</u>	<u>\$ 3,236,209</u>

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 11 – PENSION TRUST FUNDS (cont...)

For the fiscal year ended September 30, 2023, 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	\$ 320,250	\$ 83,213	\$ 403,463
Plan members	122,906	94,507	217,413
State of Florida	-	314,262	314,262
Total contributions	<u>443,156</u>	<u>491,982</u>	<u>935,138</u>
Investment income	<u>93,702</u>	<u>108,751</u>	<u>202,453</u>
Less: investment expenses			
Custodial fees	4,000	4,000	8,000
Performance evaluation	5,017	5,045	10,062
Total investment expenses	<u>9,017</u>	<u>9,045</u>	<u>18,062</u>
Net investment income	<u>84,685</u>	<u>99,706</u>	<u>184,391</u>
Total additions	<u>527,841</u>	<u>591,688</u>	<u>1,119,529</u>
DEDUCTIONS			
Administrative expenses:			
Legal	2,695	3,606	6,301
Administrator fee	13,050	13,050	26,100
Actuarial	15,634	19,734	35,368
Total administrative expenses	<u>31,379</u>	<u>36,390</u>	<u>67,769</u>
Benefit payments and refunds of			
member contributions	<u>36,169</u>	<u>40,520</u>	<u>76,689</u>
Total deductions	<u>67,548</u>	<u>76,910</u>	<u>144,458</u>
CHANGE IN NET POSITION	460,293	514,778	975,071
NET POSITION, beginning of year	<u>989,889</u>	<u>1,271,249</u>	<u>2,261,138</u>
NET POSITION, end of year	<u>\$ 1,450,182</u>	<u>\$ 1,786,027</u>	<u>\$ 3,236,209</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 11 – 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, 2023.

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, 2023, is presented below:

	General Employees’ Pension Trust Fund	Police Officers’ and Firefighters’ Pension Trust Fund
	_____	_____
Required Contribution rates:		
City	12.50%	16.60%
Plan members	5.00%	5.00%
Actuarially determined contribution	\$ 307,264	\$ 313,761
Contributions made in relation to the Actuarially determined contribution	\$ 320,250	\$ 397,475

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

	as of October 1, 2022	
	General Employees’ Pension Trust Fund	Police Officers’ and Firefighters’ Pension Trust Fund
	_____	_____
Inactive plan members or beneficiaries currently receiving benefits	-	1
Inactive plan members entitled to by not yet receiving benefits	14	11
Active plan members	48	30
Total	<u>62</u>	<u>42</u>

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 11 – PENSION TRUST FUNDS (cont...)

As of and for the year ended September 30, 2023, 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	\$ 1,638,339	\$ 188,157	\$ 389,566	\$ 5,748
Police Officers' and Firefighters'	1,948,651	162,624	280,310	76,691
Total	\$ 3,586,990	\$ 350,781	\$ 669,876	\$ 82,439

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, 2023 is shown below. The net pension liability (asset) as of September 30, 2023, for City financial reporting purposes, was determined by actuarial valuations as of October 1, 2022 updated to September 30, 2023 (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, 2022	\$ 1,043,030	\$ 989,889	\$ 53,141
Changes for year:			
Service cost	307,066	-	307,066
Interest	99,901	-	99,901
Difference between actual and expected experience	224,511	-	224,511
Contributions - City	-	320,250	(320,250)
Contributions - employee	-	122,906	(122,906)
Net investment income	-	84,685	(84,685)
Benefit payments, including refunds of employee contributions	(36,169)	(36,169)	-
Administrative expense	-	(31,379)	31,379
Net changes	595,309	460,293	135,016
Reporting period ending September 30, 2023	\$ 1,638,339	\$ 1,450,182	\$ 188,157

Plan fiduciary net position as a percentage of the total pension liability 89%

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 11 – 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, 2022	\$ 1,391,494	\$ 1,271,249	\$ 120,245
Changes for year:			
Service cost	275,047	-	275,047
Interest	123,471	-	123,471
Difference between actual and expected experience	101,774	-	101,774
Change of benefit terms	97,385	-	97,385
Contributions - City	-	83,213	(83,213)
Contributions - State	-	314,262	(314,262)
Contributions - employee	-	94,507	(94,507)
Net investment income	-	99,706	(99,706)
Benefit payments, including refunds of employee contributions	(40,520)	(40,520)	-
Administrative expense	-	(36,390)	36,390
Net changes	<u>557,157</u>	<u>514,778</u>	<u>42,379</u>
Reporting period ending September 30, 2023	<u>\$ 1,948,651</u>	<u>\$ 1,786,027</u>	<u>\$ 162,624</u>

Plan fiduciary net position as a percentage of the total pension liability 92%

Actuarial Assumptions – The actuarial valuation date and significant actuarial assumptions used to measure the total pension liability on September 30, 2023 were as follows:

	General Employees’ Pension Trust Fund	Police Officers’ and Firefighters’ Pension Trust Fund
Actuarial valuation date	October 1, 2022	October 1, 2022
Measurement date	September 30, 2023	September 30, 2023
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, 2023 measurement date were based on The Society of Actuaries’ Retirement Plans Experience Committee (RPEC) Pub-2010 Public Retirement Plans Mortality Tables Reports.

There is insufficient plan experience to be used to form actuarial assumptions rather the actuary used assumptions from similar plans and will monitor the plans’ experience and will perform a study when sufficient plan experience exists.

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 11 – 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, 2023 for each of the City's pension trust funds, are summarized in the following table.

Asset Class	Long-term Expected Real Rates of Return	Target Asset Allocations
Domestic equity	7.20%	40%
International equity	2.90%	10%
Bonds	1.70%	25%
Convertibles	5.90%	10%
Private real estate	5.90%	10%
Infrastructure	5.10%	5%
Total		100%

Actual Rate of Return – For the year ended September 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for each plan are as follows:

Pension Trust Fund	Rate of Return
General Employees'	6.89%
Police Officers' and Firefighters'	7.48%

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 11 – PENSION TRUST FUNDS (cont...)

Deferred Outflows and Inflows of Resources Related to Pensions - On September 30, 2023, 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	\$ 365,519	\$ 74,147
Change in assumptions	-	8,292
Net difference between expected and actual earnings on Plan investments	304,357	-
Total combined all pension trust funds	\$ 669,876	\$ 82,439

General Employees' Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 255,425	\$ 3,561
Change in assumptions	-	2,187
Net difference between expected and actual earnings on Plan investments	134,141	-
Total general employees' pension trust fund	\$ 389,566	\$ 5,748

Police Officers' and Firefighters' Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 110,094	\$ 70,586
Change in assumptions	-	6,105
Net difference between expected and actual earnings on Plan investments	170,216	-
Total police officers' and firefighters' pension trust fund	\$ 280,310	\$ 76,691

CITY OF DAVENPORT, FLORIDA

Notes to Financial Statements

September 30, 2023

NOTE 11 – 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
2024	\$ 103,709	\$ 58,910	\$ 162,619
2025	105,432	58,939	164,371
2026	116,476	69,049	185,525
2027	58,201	2,357	60,558
2028	-	14,364	14,364
Total	<u>\$ 383,818</u>	<u>\$ 203,619</u>	<u>\$ 587,437</u>

Discount Rate - A rate of 7.5% was used to measure the total pension liability of each plan as of September 30, 2023, 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, 2023), 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%	\$ 437,013	\$ 188,157	\$ (15,682)
Police Officers' and Firefighters'	7.50%	494,138	162,624	(103,199)
City's Net Pension Liability (Asset)		<u>\$ 931,151</u>	<u>\$ 350,781</u>	<u>\$ (118,881)</u>

Pension Expense – For the year ended September 30, 2023, the City recognized total pension expense of \$718,678 consisting of pension expense for the General Employees' Pension Trust Fund of \$331,858 and \$386,820 for the Police Officers' and Firefighters' Pension Trust Fund.

NOTE 12 – 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 65 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, 2023 (the measurement date) was determined by an actuarial valuation as of October 1, 2021 updated to September 30, 2023. The actuarial assumptions used were as follows:

Inflation	2.50%
Salary increases	2.50%
Discount rate	4.87%
Initial health care trend rate	7.50%
Ultimate health care trend rate	4.00%
Year to ultimate rate	53

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 4.87%. 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, 2023

NOTE 12 – 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, 2023, the City recognized OPEB expense of \$59,945.

Changes in Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2022	\$ 313,039
Changes for the year:	
Service cost	46,357
Interest	17,043
Changes of assumptions	(4,705)
Benefit payments	(4,220)
Net changes	<u>54,475</u>
Reporting period ending September 30, 2023	<u>\$ 367,514</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 (3.87%)	Discount Rate (4.87%)	1% Increase (5.87%)
Total OPEB liability	\$ 418,682	\$ 367,514	\$ 624,788

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	\$ 311,960	\$ 367,514	\$ 436,593

NOTE 13 - 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, 2023 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 14 - 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, 2023, 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 – As of September 30, 2023 the City has commitments of approximately \$14,486,950 related to capital projects of which \$2,550,500 is for projects in the governmental activities and \$11,936,450 for projects in the business-type activities.

NOTE 15 – 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, 2023, the total annual working capital needs of the PRWC was \$235,000 of which the City's proportionate share was \$5,963.

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 15 – JOINT VENTURE (cont...)

Project Implementation Agreements - Effective April 19, 2021, the City entered into a project implementation agreement with other PRWC participating governments for 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 City water charges to the PRWC for the fiscal year ending September 30, 2024 are \$418,030. No PRWC water charges were assessed during the 2023 fiscal year.

NOTE 16 – IMPLEMENTATION OF NEW ACCOUNTING GUIDANCE

During the fiscal year ended September 30, 2023, the City implemented the provisions of GASB Statement No. 96 – Subscription-Based Information Technology Arrangement. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), improving the comparability of financial statements among governments that have entered into SBITAs and to enhance the understandability, reliability, relevance and consistency of information about SBITAs. Under this Statement, a government generally should recognize a subscription liability and an intangible right-to-use subscription asset. Due to the immaterial nature of the City's SBITAs, adoption of the new guidance had no effect on the financial statements.

NOTE 17 – CORRECTION OF ERROR

During the year ended September 30, 2023, a prior year error was detected whereby the capital assets of the governmental activities were overstated by \$754,104 caused by double counting of construction costs of the new community center that was placed into service during the year ended September 30, 2022. The previously reported balances of the governmental activities' capital assets and net position have been restated to reflect the correction of this error.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAVENPORT, FLORIDA

Budgetary Comparison Schedule – General Fund
for the year ended September 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RESOURCES (inflows):				
Taxes	\$ 7,385,290	\$ 8,318,659	\$ 8,382,911	\$ 64,252
Licenses and permits	1,601,950	2,719,454	2,719,667	213
Intergovernmental revenue	909,530	1,852,942	1,740,743	(112,199)
Charges for services	1,686,100	1,944,211	1,940,968	(3,243)
Fines and forfeitures	33,500	102,447	88,635	(13,812)
Other	200,000	1,979,034	1,991,867	12,833
Insurance proceeds	20,000	13,935	13,935	-
Impact fees	120,000	50,773	159,855	109,082
Total resources	11,956,370	16,981,455	17,038,581	57,126
CHARGES TO APPROPRIATIONS (outflows):				
General government:				
Commission	58,955	97,677	97,677	-
City manager	389,335	376,436	375,324	1,112
Finance	385,095	384,398	382,068	2,330
Legal	100,000	59,469	69,133	(9,664)
City clerk	211,085	196,002	194,689	1,313
Development services	4,338,495	1,891,825	2,197,322	(305,497)
Other general government	704,000	626,235	655,545	(29,310)
Total general government	6,186,965	3,632,042	3,971,758	(339,716)
Public safety:				
Police department	2,288,040	2,362,641	2,351,702	10,939
Fire department	1,692,915	1,779,657	1,798,634	(18,977)
Code enforcement	65,540	65,529	66,130	(601)
Total public safety	4,046,495	4,207,827	4,216,466	(8,639)
Physical environment:				
Garbage	1,240,000	1,434,454	1,434,454	-
City cemetery	96,100	61,948	62,123	(175)
Total physical environment	1,336,100	1,496,402	1,496,577	(175)
Transportation	1,135,675	1,037,853	1,037,872	(19)
Culture/recreation:				
Parks and recreation	2,823,825	1,124,724	1,124,585	139
Total culture/recreation	2,823,825	1,124,724	1,124,585	139
Total charges to appropriations	15,529,060	11,498,848	11,847,258	(348,410)
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(3,572,690)	5,482,607	\$ 5,191,323	\$ (291,284)
Surplus carried to (current) subsequent year	3,572,690	(5,482,607)		
NET CHANGE IN FUND BALANCE	\$ -	\$ -		

CITY OF DAVENPORT, FLORIDA

Budgetary Comparison Schedule – Impact Fee Special Revenue Fund
for the year ended September 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RESOURCES (inflows):				
Impact fees	\$ 781,395	\$ 1,292,138	\$ 1,292,138	\$ -
Total resources	781,395	1,292,138	1,292,138	-
CHARGES TO APPROPRIATIONS (outflows):				
Public safety:				
Police department	550,000	702,309	695,514	6,795
Fire department	73,175	73,202	73,202	-
Total public safety	623,175	775,511	768,716	6,795
Transportation	-	8,079	8,079	-
Culture/recreation:				
Parks and recreation	332,185	396,729	396,729	-
Total culture/recreation	332,185	396,729	396,729	-
Total charges to appropriations	955,360	1,180,319	1,173,524	6,795
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(173,965)	111,819	\$ 118,614	\$ 6,795
Surplus carried to (current) subsequent year	173,965	(111,819)		
NET CHANGE IN FUND BALANCE	\$ -	\$ -		

CITY OF DAVENPORT, FLORIDA

Notes To Budgetary Comparison Schedule – General Fund and Impact Fee Special Revenue Fund

BASIS OF ACCOUNTING

The general fund and impact fee special revenue fund budgets are 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, 2023, 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	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Total pension liability					
Service cost	\$ 307,066	\$ 240,778	\$ 213,549	\$ 195,436	\$ 152,019
Interest	99,901	67,666	43,211	26,700	8,551
Change in assumptions	-	-	-	(5,101)	-
Difference between expected and actual experience	224,511	75,424	51,063	(8,311)	-
Benefit payments, including refunds of employee contributions	(36,169)	(4,551)	(13,404)	-	-
Net change in total pension liability	595,309	379,317	294,419	208,724	160,570
Total pension liability, beginning	1,043,030	663,713	369,294	160,570	-
Total pension liability, ending (a)	<u>\$ 1,638,339</u>	<u>\$ 1,043,030</u>	<u>\$ 663,713</u>	<u>\$ 369,294</u>	<u>\$ 160,570</u>
Plan fiduciary net position					
Contributions - City	\$ 320,250	\$ 308,065	\$ 216,805	\$ 215,089	\$ 130,985
Contributions - Employee	122,906	111,921	78,077	67,217	42,920
Net investment income (loss)	84,685	(184,890)	97,299	28,287	1,827
Benefit payments, including refunds of employee contributions	(36,169)	(4,551)	(13,404)	-	-
Administrative expenses	(31,379)	(26,087)	(27,260)	(31,418)	(20,993)
Net change in plan fiduciary net position	460,293	204,458	351,517	279,175	154,739
Plan fiduciary net position, beginning	989,889	785,431	433,914	154,739	-
Plan fiduciary net position, ending (b)	<u>\$ 1,450,182</u>	<u>\$ 989,889</u>	<u>\$ 785,431</u>	<u>\$ 433,914</u>	<u>\$ 154,739</u>
Net pension liability (assets) (a)-(b)	<u>\$ 188,157</u>	<u>\$ 53,141</u>	<u>\$ (121,718)</u>	<u>\$ (64,620)</u>	<u>\$ 5,831</u>
Plan fiduciary net position as a percentage of total pension liability	88.52%	94.91%	118.34%	117.50%	96.37%
Covered payroll	\$ 2,458,115	\$ 2,238,424	\$ 1,562,617	\$ 1,341,141	\$ 858,399
Net pension liability as a percentage of covered payroll	7.65%	2.37%	-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	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Total pension liability					
Service cost	\$ 275,047	\$ 233,487	\$ 196,394	\$ 180,092	\$ 97,718
Interest	123,471	99,325	84,524	57,633	33,241
Change in assumptions	-	-	-	(14,246)	-
Change of benefit terms	97,385	-	68,958	-	-
Difference between expected and actual experience	101,774	(18,187)	(100,793)	58,996	-
Benefit payments, including refunds of employee contributions	(40,520)	(27,938)	(11,826)	(6,538)	-
Net change in total pension liability	557,157	286,687	237,257	275,937	130,959
Total pension liability, beginning	1,391,494	1,104,807	867,550	591,613	460,654
Total pension liability, ending (a)	<u>\$ 1,948,651</u>	<u>\$ 1,391,494</u>	<u>\$ 1,104,807</u>	<u>\$ 867,550</u>	<u>\$ 591,613</u>
Plan fiduciary net position					
Contributions - City	\$ 83,213	\$ 139,805	\$ 280,435	\$ 234,712	\$ 134,608
Contributions - Employee	94,507	84,883	62,125	54,469	28,772
Contributions - State	314,262	212,744	165,058	116,366	-
Net investment income (loss)	99,706	(205,053)	107,361	23,098	1,590
Benefit payments, including refunds of employee contributions	(40,520)	(27,938)	(11,826)	(6,538)	-
Administrative expenses	(36,390)	(28,717)	(34,456)	(34,863)	(25,386)
Net change in plan fiduciary net position	514,778	175,724	568,697	387,244	139,584
Plan fiduciary net position, beginning	1,271,249	1,095,525	526,828	139,584	-
Plan fiduciary net position, ending (b)	<u>\$ 1,786,027</u>	<u>\$ 1,271,249</u>	<u>\$ 1,095,525</u>	<u>\$ 526,828</u>	<u>\$ 139,584</u>
Net pension liability (assets) (a)-(b)	<u>\$ 162,624</u>	<u>\$ 120,245</u>	<u>\$ 9,282</u>	<u>\$ 340,722</u>	<u>\$ 452,029</u>
Plan fiduciary net position as a percentage of total pension liability	91.65%	91.36%	99.16%	60.73%	23.59%
Covered payroll	\$ 1,890,127	\$ 1,697,668	\$ 1,245,214	\$ 1,082,200	\$ 575,446
Net pension liability as a percentage of covered payroll	8.60%	7.08%	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:

- 2021: 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.
- 2023: Ordinance No. 1204 amended the plan to allow up to 300 hours of overtime per year to be included in the members' pensionable compensation.

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
9/30/2023	\$ 307,264	\$ 320,250	\$ (12,986)	\$ 2,458,115	13.03%
9/30/2022	299,949	308,065	(8,116)	2,238,424	13.76%
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, 2021 for fiscal year 2023 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 PubG.H-2010 tables for active, inactive, and disabled males or females, as appropriate, with all rates being projected generationally with mortality improvement scale MP-2018.
- 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
9/30/2023	\$ 313,761	\$ 397,475	\$ (83,714)	\$ 1,890,127	21.03%
9/30/2022	320,859	352,549	(31,690)	1,697,668	20.77%
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, 2021 for fiscal year 2023 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 PubS.H-2010 tables for active and inactive lives, PubG.H-2010 for beneficiary lives, and 80% PubG.H-2010 for disabled lives, as appropriate, with all rates being projected generationally with mortality improvement scale MP-2018.
- 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

Fiscal year ended	Annual Money-Weighted Rate of Return Net of Investment Expenses
9/30/2023	6.89%
9/30/2022	-17.47%
9/30/2021	15.75%
9/30/2020	9.39%
9/30/2019	0.71%

POLICE OFFICERS' AND FIREFIGHTERS' PENSION TRUST FUND

Fiscal year ended	Annual Money-Weighted Rate of Return Net of Investment Expenses
9/30/2023	7.48%
9/30/2022	-17.03%
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	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Total OPEB Liability				
Service cost	\$ 46,357	\$ 72,539	\$ 58,696	\$ 46,750
Interest	17,043	11,842	8,052	8,972
Differences between expected and actual experience	-	47,459	-	-
Changes in assumptions	(4,705)	(183,896)	(14,752)	57,986
Benefit payments	(4,220)	(4,455)	-	-
Net change in total OPEB Liability	54,475	(56,511)	51,996	113,708
Total OPEB Liability - beginning	313,039	369,550	317,554	203,846
Total OPEB Liability - ending	<u>\$ 367,514</u>	<u>\$ 313,039</u>	<u>\$ 369,550</u>	<u>\$ 317,554</u>
Covered-employee payroll	\$ 3,015,387	\$ 2,941,841	\$ 2,074,448	\$ 2,023,852
Total OPEB liability as a percentage of covered-employee payroll	12.19%	10.64%	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, 2023	4.87%
September 30, 2022	4.77%
September 30, 2021	2.43%
September 30, 2020	2.14%
September 30, 2019	3.58%

Updated health care costs and premiums are also reflected as changes of assumptions.

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

GOVERNMENT AUDITING SECTION

CITY OF DAVENPORT, FLORIDA

Schedule of Expenditures of State Financial Assistance
for the year ended September 30, 2023

<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	530712	\$ 173,212
Wastewater Treatment Facility Construction - Loan	37.077	530721	8,653,335
Total project			<u>8,826,547</u>
Direct program:			
Florida Recreation Development Assistance Program Grant (FRDAP)	37.017	A1077	45,024
Total Florida Department of Environmental Protection			<u>8,871,571</u>
Total Expenditures of State Financial Assistance			<u>\$ 8,871,571</u>

CITY OF DAVENPORT, FLORIDA

Notes to the Schedule of Expenditures of State Financial Assistance
for the year ended September 30, 2023

NOTE 1 – GENERAL - The accompanying schedule of expenditures of state financial assistance above represents the activities of all state grant activity of the City of Davenport, Florida (the City) for the year ended September 30, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation – The information in this schedule is presented in accordance with the requirements of 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 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 – 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 4 – 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 funded by the State of Florida during the year ended September 30, 2023 can be found in the accompanying schedule of expenditures of state financial assistance.

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, 2023, 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, 2024.

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, 2024



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

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the City of Davenport's (the "City") compliance with the types of compliance requirements identified as subject to audit in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2023. The City's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major State Project

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; and the audit requirements of Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and Chapter 10.550, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 25, 2024

CITY OF DAVENPORT, FLORIDA
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2023

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?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> None reported	
Noncompliance material to the financial statements reported?	_____ Yes	<u> X </u> No	

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?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> None reported	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General?	<u> X </u> Yes	_____ No	
Identification of major state project:			
CFSA# 37.077 - Wastewater Treatment Facility Construction			
Dollar threshold used to distinguish between Type A and Type B projects:	\$	<u>750,000</u>	

Section II – Summary Schedule of Prior Audit Findings

There were no prior-year audit findings.

Section III – Findings – Financial Statement Audit

2023-01 – Expenditures in Excess of Budgeted Appropriations

Criteria – In accordance with Section 166.241, Florida Statute, municipalities may not expend or contract for expenditures except pursuant to the adopted budget.

Condition – As of September 30, 2023, the City of Davenport’s general fund expenditures exceeded the amended budget by \$348,409 caused by overexpenditures in several departments.

Cause – Several misstatements were detected and corrected as part of the audit process resulting in expenditures that were not incorporated into the City’s budget amendments.

CITY OF DAVENPORT, FLORIDA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Effect – Noncompliance Section 166.241, Florida Statutes which prohibits municipalities from expending or contracting for expenditures except pursuant to the adopted budget.

Recommendation – We recommend that the City implement a process to ensure that all significant transactions have been recorded to a given fiscal year before the final budget amendment is prepared.

View of Responsible Official/Corrective Action Plan – See accompanying management response letter.

Section IV – 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, 2023, and have issued our report thereon dated June 25, 2024.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of 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 for Each Major State Project and Report 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, 2024, 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. There were no findings or 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.

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

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 have one finding reported as item 2023-01 in the accompanying schedule of findings and questioned costs.

The City's response to the above finding is described in the accompany management response letter and was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2024



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, 2023. 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 (AICPA). 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.

We are required to be independent of the City of Davenport, Florida and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our examination.

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, 2023.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 25, 2024



City of Davenport

Gateway to the Ridge

1 South Allapaha Ave • Davenport, FL 33837 • (863) 419-3300 • Fax (863) 419-3302

Management's Response - Finding 2023-01

City staff acknowledges the misstatements which causes the noncompliance with Section 166.241, Florida Statute, municipalities may not expend or contract for expenditures not incorporated into the adopted budget. Finance Department staff will implement the necessary processes and procedures to ensure that all significant transactions have been recorded by year end before the final budget amendment is prepared.