



City of Sweetwater, Florida
Basic Financial Statements
and
Independent Auditor's Report

For the Fiscal Year Ended
September 30, 2023



CITY OF SWEETWATER, FLORIDA

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sweetwater, Florida (the "City"), as of and for the year ended September 30, 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, each major fund, and the aggregate remaining fund information of the City of Sweetwater, Florida, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City's Police Officers' Defined Benefit Pension Plan fund, which represent 91 percent, 92 percent, and 93 percent, respectively, of the assets, net position, and revenues of the fiduciary funds as of September 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City's Police Officers' Defined Benefit Pension Plan, is based solely on the report of the other auditors.

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

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

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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 of Sweetwater, Florida'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 of Sweetwater, Florida'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 on pages 4 through 9, the budgetary comparison information on pages 45 through 51, and the pension schedules on pages 52 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 of Sweetwater, Florida's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2025, on our consideration of the City of Sweetwater, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sweetwater, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sweetwater, Florida's internal control over financial reporting and compliance.



Coral Gables, Florida
January 3, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

MD&A

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2023

As management of the City of Sweetwater, Florida (the "City"), we offer readers of the City of Sweetwater's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended September 30, 2023 and 2022.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the fiscal years ended September 30, 2023 and 2022 by \$62,517,126 and \$56,767,279 (net position), respectively. Of this amount, unrestricted net position, which may be used to meet the ongoing obligations to citizens and creditors, were \$16,505,463 and \$12,645,706, respectively. During the years ended September 30, 2023 and 2022, the City's net position increased by \$5,749,847 and \$8,497,254, respectively. The increase in net position during 2023 was due to increases in property tax revenues, franchise fees, utility tax revenues, and investment income. These increases in revenues were attributed to increases in taxable property values and increases in interest rates. The increase in net position during 2022 was due to increases in property tax revenues, franchise fees, sales tax revenues, building permits, and passport fees. These increases in revenues were attributed to the recent growth and expansion of the City through annexation in 2021, which expanded the geographic borders of the City by approximately two miles. The annexation has allowed the City to welcome several Fortune 500 companies which will provide stability in revenue growth through these additions.

As of the close of the fiscal years ended September 30, 2023 and 2022, the City's governmental funds reported combined ending fund balances of \$29,061,256 and \$27,056,929, an increase of \$2,004,327 and \$8,305,202 in comparison with the prior year, respectively. The increase in fund balance during 2023 was due to increases in property tax revenues as related to increases in taxable property values, and increases in revenues earned from utility taxes, franchise fees, and investment income. The increase in fund balance during 2022 was due to increases in property tax revenues as related to increases in taxable property values, and increases in revenues earned from building permits, sales taxes, and franchise fees in connection with annexation which increased the City's geographic footprint by approximately two miles in December 2021.

Unassigned fund balance for governmental funds at September 30, 2023 and 2022 was \$16,747,917 and \$13,363,725, respectively, or 60.8% and 58.2% of total general fund expenditures.

The City has set goals to maintain reserves at appropriate levels and to continue to improve its financial condition. The City's objectives include a vision for modernization, expansion of transportation services, and commercial growth. During fiscal year ended September 30, 2023, the following events continue to, or have, taken place:

- **Dual Purpose Redevelopment and Annexation** – The commission and the administration have continued to take an initiative in developing, implementing and promoting a commercial and residential redevelopment plan and commercial growth. The major commercial and industrial developments within the City include Dolphin Mall, Banyan Industrial Park, and Dolphin Commerce Center. This has increased the City's tax base, as well as its commercial activity and its gross municipal product. In December 2021, the Miami-Dade Board of County Commissioners voted to approve the City's application for annexation for an area adjacent to the City comprised of approximately 2 square miles, resulting in further diversification of the City's economy, which include Fortune 500 companies.
- **Drainage Improvement Projects** – The City has completed most of the significant ongoing drainage improvement projects that were predominantly funded by federal, state, and local awards, including an additional drainage project to alleviate flooding in the northern Sweetwater area.
- **Financial Conditions** – Management addressed spending needs, as well as areas where expenditures can be reduced and revenues can be increased, when preparing the City's budgets for fiscal years ending September 30, 2023 and 2022. Management has continued to focus on increasing reserves and

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2023

strengthening the City's financial conditions. The City has increased unassigned fund balances by implementing initiatives to control expenses, increase revenues, and increase reserves. Revenues generated by the City's continued growth in commercial and real estate development have contributed to the City's growth. Other revenues which are enhancing the City's financial position include passport revenues and fees earned from parking meters. During 2023, the City's property tax revenues, franchise fees, and utility tax revenues further increased allowing reserves to increase as well. During 2022, the City's property tax revenues, franchise fees, sales tax revenues, and building permits further increased allowing reserves to increase as well.

Overview of the Financial Statements

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

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

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

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 21,023,091	\$ 20,505,446
Restricted assets	18,677,859	20,633,048
Capital assets	34,763,328	31,644,336
Total assets	<u>\$ 74,464,278</u>	<u>\$ 72,782,830</u>
Deferred outflows of resources	<u>\$ 6,830,011</u>	<u>\$ 2,915,108</u>
Long-term liabilities	\$ 6,288,845	\$ 2,094,675
Other liabilities	10,639,693	14,081,565
Total liabilities	<u>\$ 16,928,538</u>	<u>\$ 16,176,240</u>
Deferred inflows of resources	<u>\$ 1,848,625</u>	<u>\$ 2,754,419</u>
Net position	<u>\$ 62,517,126</u>	<u>\$ 56,767,279</u>
Net investment in capital assets	\$ 33,915,219	\$ 30,461,379
Restricted	12,096,444	13,660,194
Unrestricted	16,505,463	12,645,706
Total net position	<u>\$ 62,517,126</u>	<u>\$ 56,767,279</u>

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

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2023

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 8,441,265	\$ 11,851,999
Operating grants and contributions	708,177	953,268
Capital grants and contributions	2,598,506	3,651,662
General revenues:		
Taxes	21,584,166	17,465,795
Other	806,599	15,804
Total revenues	<u>34,138,713</u>	<u>33,938,528</u>
Expenses:		
General government	11,107,145	12,163,278
Public safety	12,599,123	8,986,744
Parks and recreation	1,865,298	1,758,530
Transportation, roads and streets	1,254,597	1,030,240
Stormwater and drainage	1,543,892	1,478,538
Interest on long-term debt	18,811	23,944
Total expenses	<u>28,388,866</u>	<u>25,441,274</u>
Change in net position	<u>\$ 5,749,847</u>	<u>\$ 8,497,254</u>

Both of the government-wide financial statements distinguish functions of the City of Sweetwater that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Sweetwater include general government, public safety, parks and recreation, roads and streets, transportation and stormwater and drainage. The City of Sweetwater has no business-type activities as of September 30, 2023 and 2022. The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sweetwater, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sweetwater can be divided into two categories: governmental funds and fiduciary funds.

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

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

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2023

The City maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major governmental funds (recreational grant fund and capital project fund), and the nonmajor governmental funds.

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

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

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

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

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-44 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Sweetwater, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$62,517,126 and \$56,767,279 at the close of September 30, 2023 and 2022, respectively.

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

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

At the end of September 30, 2023 and 2022, the City of Sweetwater is able to report positive balances in all categories of net position. The City's net position increased by \$5,749,847 and \$8,497,254 during the fiscal years ended in September 30, 2023 and 2022, respectively.

Governmental Activities. Governmental activities increased the net position of the City of Sweetwater by \$5,749,847 and \$8,497,254, thereby accounting for a 10.1% increase and 17.6% increase in the governmental activities net position in 2023 and 2022, respectively. During 2023, the increase was attributable to increases in property tax revenues as related to increases in taxable property values, and franchise fees and utility taxes. During 2022, the increase was due to increases in revenues relating to franchise fees, building permits and sales taxes in connection with approval of annexation in December 2021, and increases in property tax revenues as related to increases in taxable property values.

Business-Type Activities. There were no business-type activities during the fiscal years ended September 30, 2023 and 2022.

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2023

Financial Analysis of the City's Governmental Funds

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

As of the end of the fiscal years ended September 30, 2023 and 2022, the City's *governmental funds* reported combined ending fund balances of \$29,061,256 and \$27,056,929, an increase of \$2,004,327 and \$8,305,202 in comparison with the prior year, respectively. As of September 30, 2023 and 2022, approximately 57.6% and 49.4% of this total amount, or \$16,747,917 and \$13,363,725, respectively, constitutes *unassigned fund balance*, which is available for spending at the City's discretion at the end of each year, respectively. The remainder of fund balance is *non-spendable, restricted, committed, or assigned* to indicate it is not available for new spending because it has already been restricted or committed for a variety of reasons, such as by external sources (debt covenants, grantors, laws or regulations, etc.) or the City Commission, or assigned for specific projects, retirement and other contingencies.

The general fund is the chief operating fund of the City. At the end of the fiscal years ended September 30, 2023 and 2022, unassigned fund balance of the general fund in the fund financial statements was \$16,747,917 and \$13,363,725, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 60.8% and 58.2% of total general fund expenditures at the end of each year, respectively.

The fund balance of the City of Sweetwater's general fund in the fund financial statements increased by \$1,811,838 and \$4,488,990 during the fiscal years ended September 30, 2023 and 2022, respectively.

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

Capital Assets and Debt Administration

Capital Assets - The City's capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2023 and 2022 amounted to \$34,763,328 and \$31,644,336, respectively, and consist of land, construction in progress, buildings, building and land improvements, machinery and equipment, automobiles and trucks, infrastructure, and right-to-use assets. A more detailed schedule can be found on page 31 of the notes to the financial statements.

Debt - Excluding compensated absences and net pension liability, and including lease liabilities, the City's long-term obligations totaled approximately \$850,000 and \$1.18 million at September 30, 2023 and 2022, respectively. The decrease during 2023 is attributable to principal payments made during the year on existing debt. A detailed schedule of outstanding debt as of September 30, 2023 can be found on page 32 of the notes to the financial statements.

Budget Amendments

The City Commission may authorize changes and transfers between departmental budgets as long as no appropriations are required from unassigned fund balances or unrestricted net position. During the year ended September 30, 2023, budget amendments were proposed and approved by the City Commission in accordance with the City Code.

CITY OF SWEETWATER, FLORIDA
Management's Discussion and Analysis
For the Year Ended September 30, 2023

During fiscal year ended September 30, 2023, all expenditures in the general fund were within budgeted amounts at the department level, except for capital outlay. The excess capital outlay expenditures were due to reclassification of capital outlay and debt service expenditures for proper presentation, as related to the acquisition of a property. The expenditures were approved and covered by revenues.

During fiscal year ended September 30, 2022, all expenditures in the general fund were within budgeted amounts at the department level, except for capital outlay and debt service. The excess capital outlay expenditures were due to capital outlays that were acquired with grant funding but were not originally budgeted. The expenditures were approved and covered by the applicable grant funding proceeds. The excess debt service expenditures were due to reclassification of capital outlay and debt service expenditures and related adjustments for financial statement purposes, including lease financing. Other line-item over-expenditures were due to costs being higher than anticipated, predominantly for payroll, insurance, supplies and pension contributions.

General Fund Budgetary Highlights

- Overall revenues were higher than amounts budgeted primarily due to recognition of grant revenues being higher than budgeted for fiscal year ended September 30, 2023. Fund balance appropriations were budgeted but not needed to cover expenditures as revenues were sufficient to cover expenditures.
- Total general fund expenditures were less than amounts budgeted. Expenditures were less than originally budgeted primarily as a result of expenditures being less than anticipated.
- Ad Valorem taxes are, by law, projected at a 95% rate of actual anticipated revenue to provide an allowance for uncollected taxes; however, the City frequently collects 100% of the budgeted amount.

Economic Factors and Next Year's Budgets and Rates

The City of Sweetwater's main source of revenues are obtained from a combination of tax receipts from ad-valorem property taxes, state revenue sharing and other taxes, franchise fees, and licenses, permits and fees. The budget for fiscal year ending September 30, 2024 is based on the City's best expectations of revenues from these sources and other smaller sources, and expenditures are based on historical data and known increases or decreases for the 2023 fiscal year. The City is expecting that continued commercial and real estate development will increase revenues.

At September 30, 2023 the unemployment rate for South Florida was approximately 1.8 percent, which is a decrease from a rate of 2.6 percent a year ago. This compares favorably to the state's average unemployment rate of 3.0 percent and favorably to the national average rate of 3.8 percent.

Requests for Information

This financial report is designed to provide a general overview of the City of Sweetwater's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Sweetwater, 500 SW 109th Avenue, Sweetwater, FL, 33174.

BASIC FINANCIAL STATEMENTS

City of Sweetwater, Florida

Statement of Net Position

September 30, 2023

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 17,688,009
Receivables	3,118,187
Prepaid items	216,895
Restricted assets:	
Cash and cash equivalents	18,677,859
Capital assets not being depreciated:	
Land	804,867
Construction in progress	1,741,187
Capital assets, net of accumulated depreciation	32,217,274
Total assets	\$ 74,464,278
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pensions	\$ 6,830,011
Total deferred outflows of resources	\$ 6,830,011
 <u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 2,415,528
Unearned revenue	8,202,403
Deposits payable	21,762
Non-current liabilities:	
Due within one year	765,108
Due in more than one year	5,523,737
Total liabilities	\$ 16,928,538
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pensions	\$ 1,848,625
Total deferred inflows of resources	\$ 1,848,625
 <u>NET POSITION</u>	
Net investment in capital assets	\$ 33,915,219
Restricted for:	
Stormwater	1,045,546
Capital improvements	719,558
Transportation, roads and streets	3,591,532
Parks and recreation	5,116,862
Public safety initiatives	256,187
Building department	1,366,759
Unrestricted	16,505,463
Total net position	\$ 62,517,126

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

City of Sweetwater, Florida
Statement of Activities
For the Year Ended September 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
General government	\$ 11,107,145	\$ 6,001,759	\$ 6,782	\$ 1,248,724	\$ (3,849,880)
Public safety	12,599,123	1,020,402	-	118,973	(11,459,748)
Parks and recreation	1,865,298	12,579	701,395	1,230,809	79,485
Roads and streets	405,700	-	-	-	(405,700)
Transportation	848,897	382,169	-	-	(466,728)
Stormwater and drainage	1,543,892	1,024,356	-	-	(519,536)
Interest on long-term debt	18,811	-	-	-	(18,811)
Total governmental activities	\$ 28,388,866	\$ 8,441,265	\$ 708,177	\$ 2,598,506	\$ (16,640,918)
General revenues:					
Property taxes					\$ 11,289,339
Franchise and utility taxes					4,932,695
Communication service tax					348,440
Revenue sharing and other taxes					5,013,692
Interest earnings and investment income					770,517
Gain on sale of capital assets					36,082
					<u>22,390,765</u>
Change in net position					5,749,847
Net position - beginning					<u>56,767,279</u>
Net position - ending					<u>\$ 62,517,126</u>

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

City of Sweetwater, Florida

Balance Sheet

Governmental Funds

September 30, 2023

	Major Funds				
	General Fund	Recreational Grant Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 17,688,009	\$ -	\$ -	\$ -	\$ 17,688,009
Cash - restricted	6,213,451	1,144,462	7,262,979	4,056,967	18,677,859
Receivables	1,881,745	479,800	-	756,642	3,118,187
Prepaid items	216,895	-	-	-	216,895
Due from other funds	1,112,512	-	-	42,900	1,155,412
Total Assets	\$ 27,112,612	\$ 1,624,262	\$ 7,262,979	\$ 4,856,509	\$ 40,856,362
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued expenses	\$ 1,967,497	\$ 168,120	\$ -	\$ 279,912	\$ 2,415,529
Due to other funds	42,825	-	271,077	841,510	1,155,412
Deposits	21,762	-	-	-	21,762
Unearned revenue	6,748,957	1,445,796	-	7,650	8,202,403
Total Liabilities	8,781,041	1,613,916	271,077	1,129,072	11,795,106
Fund Balances					
Nonspendable					
Prepaid items	216,895	-	-	-	216,895
Restricted					
Stormwater and drainage improvements	-	-	-	1,045,546	1,045,546
Public safety initiatives	-	-	3,458	252,729	256,187
Capital projects	-	-	719,558	-	719,558
Parks and recreation	-	10,346	4,973,856	132,660	5,116,862
Transportation, roads and streets	-	-	1,295,030	2,296,502	3,591,532
Building department	1,366,759	-	-	-	1,366,759
Unassigned					
General fund	16,747,917	-	-	-	16,747,917
Total Fund Balances	18,331,571	10,346	6,991,902	3,727,437	29,061,256
Total Liabilities and Fund Balances	\$ 27,112,612	\$ 1,624,262	\$ 7,262,979	\$ 4,856,509	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	34,763,328
Deferred outflows related to pensions	6,830,012
Deferred inflows related to pensions	(1,848,625)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(6,288,845)
Net position of governmental activities	\$ 62,517,126

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

City of Sweetwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Recreational Grant Fund	Capital Project Fund		
Revenues					
Taxes	\$ 12,007,473	\$ -	\$ -	\$ 821,016	\$ 12,828,489
Revenue sharing	3,822,982	-	-	-	3,822,982
Franchise fees	3,714,103	-	-	-	3,714,103
Licenses, permits, and fees	5,733,545	-	195,352	1,024,356	6,953,253
Fines, forfeitures, and donations	934,505	-	-	61,428	995,933
Utility service taxes	1,218,592	-	-	-	1,218,592
Grants/contributions	1,255,506	1,180,935	49,874	819,368	3,305,683
Investment income	453,985	-	207,559	108,973	770,517
Management fees	72,043	-	-	-	72,043
Rental income and other miscellaneous	416,167	-	-	4,869	421,036
Total Revenues	<u>29,628,901</u>	<u>1,180,935</u>	<u>452,785</u>	<u>2,840,010</u>	<u>34,102,631</u>
Expenditures					
Current:					
Administrative	3,477,877	-	17	-	3,477,894
Public safety	12,435,054	-	17	14,604	12,449,675
Parks and recreation	692,517	778	33	989,917	1,683,245
Transportation	-	-	196,284	708,132	904,416
Stormwater and drainage	-	-	-	839,429	839,429
Maintenance	2,288,610	-	17	-	2,288,627
School guards	27,748	-	-	-	27,748
Building, zoning, planning, roads and code enforcement	2,198,566	-	-	-	2,198,566
Executive and legislative	1,782,289	-	-	-	1,782,289
Capital Outlay	4,336,648	1,174,962	-	617,228	6,128,838
Debt Service					
Principal retirement	315,908	-	-	18,940	334,848
Interest	10,933	-	-	7,878	18,811
Total Expenditures	<u>\$ 27,566,150</u>	<u>\$ 1,175,740</u>	<u>\$ 196,368</u>	<u>\$ 3,196,128</u>	<u>\$ 32,134,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,062,751</u>	<u>\$ 5,195</u>	<u>\$ 256,417</u>	<u>\$ (356,118)</u>	<u>\$ 1,968,245</u>
Other Financing Sources (Uses)					
Operating transfers in (out)	(286,995)	-	-	286,995	-
Proceeds - disposition of capital assets	36,082	-	-	-	36,082
Total Other Financing Sources (Uses)	<u>(250,913)</u>	<u>-</u>	<u>-</u>	<u>286,995</u>	<u>36,082</u>
Net Change in Fund Balances	<u>\$ 1,811,838</u>	<u>\$ 5,195</u>	<u>\$ 256,417</u>	<u>\$ (69,123)</u>	<u>\$ 2,004,327</u>
Fund Balances - October 1, 2022	<u>16,519,733</u>	<u>5,151</u>	<u>6,735,485</u>	<u>3,796,560</u>	<u>27,056,929</u>
Fund Balances - September 30, 2023	<u>\$ 18,331,571</u>	<u>\$ 10,346</u>	<u>\$ 6,991,902</u>	<u>\$ 3,727,437</u>	<u>\$ 29,061,256</u>

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

City of Sweetwater, Florida

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2023

Net change in fund balances - total governmental funds (Page 13) \$ 2,004,327

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

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

The details of the difference are as follows:

Capital outlay capitalized	6,128,838	
Depreciation and amortization expense	<u>(3,009,845)</u>	
		<u>3,118,993</u>

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

The details of the differences are as follows:

Principal payments	<u>334,848</u>	
		<u>334,848</u>

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

The detail of the differences are as follows:

Change in long-term compensated absences	263,065	
Net pension liability	<u>28,614</u>	
		<u>291,679</u>

Change in net position of governmental activities (Page 11) \$ 5,749,847

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

City of Sweetwater, Florida
Statement of Fiduciary Funds Net Position
Fiduciary Funds
September 30, 2023

	Pension Trust Funds		Total
	Defined Benefit Plan Police Officers	Elected Officials' Retirement Trust	
Assets			
Cash and cash equivalents - restricted	\$ 176,395	\$ 491,370	\$ 667,765
Investments - restricted	20,270,663	1,645,131	21,915,794
Contribution receivable:			
Member	67,109	-	67,109
Employer	268,961	4,899	273,860
Other	-	-	-
Accrued investment income	2,777	-	2,777
Total Assets	\$ 20,785,905	\$ 2,141,400	\$ 22,927,305
Liabilities			
Accounts payable and accrued liabilities	\$ 29,742	\$ 9,528	\$ 39,270
Distributions payable	-	270,875	270,875
Total Liabilities	29,742	280,403	310,145
Net Position			
Held in trust for pension benefits	20,756,163	1,860,997	22,617,160
Total Liabilities and Net Position	\$ 20,785,905	\$ 2,141,400	\$ 22,927,305

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

City of Sweetwater, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2023

	Pension Trust Funds		Total
	Defined Benefit Plan Police Officers	Elected Officials' Retirement Trust	
Additions:			
Contributions:			
Member	\$ 794,623	\$ -	\$ 794,623
Employer	1,447,623	184,461	1,632,084
Other	122,051	-	122,051
Total Contributions	<u>2,364,297</u>	<u>184,461</u>	<u>2,548,758</u>
Investment income	2,432,874	149,993	2,582,867
Other income	169	-	169
Total Additions	<u>4,797,340</u>	<u>334,454</u>	<u>5,131,794</u>
Deductions:			
Benefits paid	741,738	272,034	1,013,772
Administrative expenses	105,197	18,881	124,078
Professional fees	83,029	13,096	96,125
Total Deductions	<u>929,964</u>	<u>304,011</u>	<u>1,233,975</u>
Change in Net Position	3,867,376	30,443	3,897,819
Net Position Held in Trust for Pension Benefits:			
October 1, 2022	<u>16,888,787</u>	<u>1,830,554</u>	<u>18,719,341</u>
September 30, 2023	<u>\$ 20,756,163</u>	<u>\$ 1,860,997</u>	<u>\$ 22,617,160</u>

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

Part I. Summary of Significant Accounting Policies

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

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

1. Reporting Entity

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

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

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

Component Units

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

2. Government-Wide and Fund Financial Statements

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

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

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

3. Basis of Presentation and Measurement Focus

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

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

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

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

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

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

The City reports the following major *governmental* funds:

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

The **recreational grant fund** is one of the City's special revenue funds. This fund accounts for the transactions of parks and recreation activities and capital outlays as funded by various local, state, and/or federal grant awards.

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

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

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

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

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

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

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

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

A. Deposits and Investments

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

B. Receivables and Payables

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

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

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10.0 mils. The tax rate to finance general governmental services for the fiscal year ended September 30, 2023 was \$3.5634 per \$1,000 of assessed taxable property value.

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

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

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

C. Restricted Assets

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

D. Capital Assets

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

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

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

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

	<u>Years</u>
Buildings	40
Building and land improvements	7-20
Machinery and equipment	5-10
Automobiles and trucks	5-10
Right-to-use lease assets	1-10
Infrastructure – drainage, stormwater and road improvements	25-40

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

E. Leases

Leases are defined as the right to use an underlying asset for a specific period of time in an exchange or exchange-like transaction. As a lessee, the City recognizes a lease liability and an intangible right-to-use (RTU) lease asset at the beginning of a lease in the government-wide financial statements, unless the lease is considered a short-term lease or transfers ownership of the underlying asset. RTU lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The City calculates the amortization of the discount on the lease liabilities and reports that amount as outflows of resources. The future lease payments are discounted using the interest rate implicit in the lease. If the interest rate is not available, the City uses its estimated incremental borrowing rate (IBR) determined by the City. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

F. Subscription-Based Information Technology Arrangements

Subscription based information technology arrangements (“SBITA”) assets are defined by the general government as the right to use vendor-provided information technology (“IT”) with access to vendors’ IT assets. The City recognizes a subscription liability and an intangible subscription right-to-use asset at the beginning of the subscription term that have a term exceeding one year. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Re-measurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability. As of September 30, 2023, the City does not have material contracts that meet the criteria of a SBITA.

G. Compensated Absences and Workmen’s Compensation Claims

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

H. Long-Term Obligations

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

I. Deferred Outflows/Inflows of Resources

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

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

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

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

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

J. Fund Balance

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

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

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

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

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

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

K. Use of Estimates

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

L. New Accounting Standards

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement provided guidance on accounting and financial reporting for subscription-based information technology arrangements ("SBITA") for government end users (governments). This statement defined a SBITA; established that a SBITA results in a right-to-use subscription asset, an intangible asset and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The statement has been implemented retroactively effective October 1, 2022. As of September 30, 2023, the City does not have material contracts that meet the criteria of a SBITA.

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

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

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$34,763,328 difference are as follows:

Land	\$	804,867
Buildings		7,545,408
Building and land improvements		4,031,762
Machinery and equipment		7,492,408
Automobiles and trucks		6,005,100
Infrastructure - drainage, stormwater and road improvements		31,805,525
Construction in progress		1,741,187
Right-to-use assets		1,513,832
		60,940,089
Less: accumulated depreciation		26,176,761
		\$ 34,763,328

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

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

Another element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$6,288,845, difference are as follows:

Capital Improvement Notes	\$ 195,455
Leases	652,654
Compensated Absences	1,301,522
Net Pension Liability	4,139,214
Total Long-Term Debt	<u>\$ 6,288,845</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures”. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Another element that requires reconciliation is the loan proceeds received and principal payment of long-term liabilities, including notes payable, compensated absences and pensions, which are in part an increase or reduction of long-term liabilities in the government-wide financial statements, and not a use of financing resources in the current period. The details of these \$3,745,520 differences are in page 14 of the financial statements.

Part III. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

B. Excess of Expenditures over Appropriations

During fiscal year ended September 30, 2023, the City had various line item expenditures that exceeded appropriations, but total expenditures were within budgeted amounts at the department level, except for capital outlay. The excess capital outlay expenditures in the amount of \$2,375,569 were due to reclassification to capital outlays related to the purchase of two units of an office building, which was initially budgeted and recorded under debt service expenditures. The expenditures were approved and covered by revenues. The excess debt service interest expenditures in the amount of \$10,933 were due to reclassification of capital outlay and debt service expenditures and related adjustments for financial statement purposes, including lease financing. Other line-item over-expenditures were due to reclassification of capital outlay and debt service expenditures as related to adjustments for financial statement purposes, including lease financing; and costs for supplies being higher than anticipated.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

Part IV. Detailed Notes on All Funds

A. Deposits and Investments

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

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

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository. The Treasurer, by rule, shall establish minimum required collateral pledging levels and shall notify each qualified public depository of its required pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon any one or any combination of the formulas allowable under this chapter. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized. The City's total deposits in all funds include cash with a reported amount of \$37,033,633 and a bank balance of \$33,199,195. The difference between the City's reported amount and the bank balance is due to outstanding checks and deposits in transit in these demand accounts.

Restricted Cash

The City maintains separate bank accounts for certain special revenue funds, the capital project fund, and pension trust funds. The use of these funds is restricted to specific projects or expenditures. Total restricted cash amounted to \$19,345,624; of which \$863,987 were funds designated for stormwater and drainage improvements, \$31,431 were restricted to Mildred Claude Peper Center, \$8,032,068 were restricted for various grant related projects and capital projects (including American Rescue Plan funding), \$174,629 were federal and local forfeiture funds whose use is restricted to law enforcement related activities and expenditures, \$6,868,211 were impact fees whose use is restricted for capital improvements, \$2,683,801 is restricted for transportation, and \$23,732 for various other restrictions. Cash restricted for pension plan benefits amounted to \$667,765.

Investments

The City has adopted an ordinance designating the investments which are allowable of its cash management activities. The authorized investments include US obligations, fully insured or collateralized certificates of deposit, Security Exchange Commission ("SEC") registered money market funds, certain mutual funds registered with the SEC and the Local Government Surplus Trust Fund (administered by the State of Florida Board of Administration). The investments follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

A. Deposits and Investments - (continued)

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

Credit Risk and Concentration of Credit Risk

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

Interest Rate Risk

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

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

	Market Value	Weighted Average Maturities in Years	Credit Risk
Fiduciary Fund Investments			
Fixed Income			
Mutual Funds	\$ 6,844,352	See below	Aaa/Aa/A/Bbb/Bb/Unrated
Corporate Bonds	250,663	See below	Aaa/Aa+/Aa/Aa-/A+/A-/Bbb+/Bbb
Municipal Bonds	45,535	See below	Aa+/Aa-
U.S. Treasuries	143,862	See below	Aaa
Asset Backed Securities	264,152	See below	Unrated
Exchange Traded Products	202,070	See below	Unrated
Equities	11,297,254	N/A	N/A
Equity Mutual Fund	2,505,330	N/A	N/A
Foreign Equities	362,576	N/A	N/A
Total Fiduciary Fund Investments	<u>21,915,794</u>		
Total Investments	<u>\$ 21,915,794</u>		

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

A. Deposits and Investments - (continued)

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

Investment Type	Total Fair Value	Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years
Fixed Income Mutual Funds	\$ 6,844,352	\$ 308,560	\$ 1,542,447	\$ 3,496,649	\$ 1,496,696
Corporate Bonds	250,663	16,599	126,018	54,748	53,298
Municipal Bonds	45,535	-	10,019	19,039	16,477
U.S. Treasuries	143,862	-	29,619	50,738	63,505
Asset Backed Securities	264,152	-	-	-	264,152
Totals	\$ 7,548,564	\$ 325,159	\$ 1,708,103	\$ 3,621,174	\$ 1,894,128

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The City of Sweetwater's Police Officers' Defined Benefit Plan's (the "Plan") exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns participation in international equity funds but does not own any foreign individual securities. The investment policy limits the foreign investments to no more than 20% of the Plan's investment balance. As of September 30, 2023, the foreign investments were 1.65% of total Plan investments.

B. Fair Value Measurements

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

The City has the following fair value measurements as of September 30, 2023:

Security Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
Common stocks	\$ 11,297,254	\$ 11,297,254	\$ -	\$ -
Foreign equities	362,576	362,576	-	-
Mutual funds	2,505,330	2,505,330	-	-
Exchange traded products	202,070	202,070	-	-
Total equity securities	14,367,230	14,367,230	-	-
Debt securities				
Fixed income mutual funds	6,844,352	6,844,352	-	-
Corporate bonds	250,663	250,663	-	-
Municipal bonds	45,535	45,535	-	-
Asset backed securities	264,152	264,152	-	-
U.S. treasuries	143,862	-	143,862	-
Total debt securities	7,548,564	7,404,702	143,862	-
Total Investments at Fair Value	\$ 21,915,794	\$ 21,771,932	\$ 143,862	\$ -

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

B. Fair Value Measurements - (continued)

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

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

C. Accounts Receivable

Accounts receivable at September 30, 2023 are summarized as follows:

	General Fund	Special Revenue Funds	Capital Project Fund	Total
Unrestricted taxes and fees	\$ 1,881,745	\$ -	\$ -	\$ 1,881,745
Restricted taxes	-	192,162	-	192,162
Grants/contributions	-	714,103	-	714,103
Other	-	330,177	-	330,177
	\$ 1,881,745	\$ 1,236,442	\$ -	\$ 3,118,187

D. Interfund Receivables, Payables and Transfers

Amounts due from and to other funds at September 30, 2023 are summarized as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,112,512	\$ 42,825
Special Revenue Fund:		
Stormwater and Drainage Improvement	-	312,880
Law Enforcement Grants	42,825	-
1/2 Cent Tax	75	459,573
Capital Projects Fund	-	271,077
Various Police Trust Funds	-	69,057
	\$ 1,155,412	\$ 1,155,412

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

Interfund transfers for the year ended September 30, 2023 consisted of a transfer made to fund a maintenance of effort allocation from the General Fund to the ½ Cent Tax Fund, and a transfer from the General Fund to the Mildred Claude Pepper Center Fund to cover operating expenses.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

E. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 804,867	\$ -	\$ -	\$ 804,867
Construction in progress	1,735,887	5,300	-	1,741,187
Total capital assets not being depreciated	<u>2,540,754</u>	<u>5,300</u>	<u>-</u>	<u>2,546,054</u>
Capital Assets, being depreciated				
Buildings	4,765,408	2,780,000	-	7,545,408
Building and land improvements	3,020,553	1,011,209	-	4,031,762
Machinery and equipment	6,239,203	1,253,205	-	7,492,408
Automobiles and trucks	5,058,776	1,079,123	132,799	6,005,100
Infrastructure - drainage, stormwater and road improvements	31,805,525	-	-	31,805,525
Right-to-use assets	1,513,832	-	-	1,513,832
Total capital assets being depreciated	<u>\$ 52,403,297</u>	<u>\$ 6,123,537</u>	<u>\$ 132,799</u>	<u>\$ 58,394,035</u>
Less accumulated depreciation for:				
Buildings	2,770,284	122,130	-	2,892,414
Building and land improvements	1,726,691	197,452	-	1,924,143
Machinery and equipment	3,454,589	831,087	-	4,285,676
Automobiles and trucks	3,822,448	487,892	132,799	4,177,541
Infrastructure - drainage, stormwater and road improvements	10,967,284	1,067,411	-	12,034,695
Right-to-use assets	558,419	303,873	-	862,292
Total accumulated depreciation	<u>23,299,715</u>	<u>3,009,845</u>	<u>132,799</u>	<u>26,176,761</u>
Total capital assets, being depreciated, net	<u>\$ 29,103,582</u>	<u>\$ 3,113,692</u>	<u>\$ -</u>	<u>\$ 32,217,274</u>
Governmental activities capital assets, net	<u>\$ 31,644,336</u>	<u>\$ 3,118,992</u>	<u>\$ -</u>	<u>\$ 34,763,328</u>

Depreciation expense for the fiscal year ended September 30, 2023 was charged to functions/programs as follows:

General Government	\$ 1,033,437
Public Safety	570,651
Parks and Recreation	189,245
Roads and Streets	394,230
Transportation	145,485
Stormwater and Drainage	676,797
	<u>\$ 3,009,845</u>

F. Unearned Revenue

Unearned revenue in the City's General Fund represents payments received in advance totaling \$559,238 for licenses, permits and other fees. As of September 30, 2023, the City's unearned revenues in the General Fund also include \$6,189,719 in funding received from the American Rescue Plan Act that will be utilized for infrastructure improvements and other eligible expenses. Unearned revenue in the City's Special Revenue Funds represent monies received in advance totaling \$7,650 for capital related expenditures, and unspent local grant funding amounting to \$1,445,796 that will be utilized for various park improvements projects.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

G. Non-Current Liabilities

1. Stormwater Utility Revenue Bonds

Pursuant to an agreement with Miami-Dade County (the "County") for property areas annexed by the City in prior years, the City is required to pay the County its pro rata share for the Stormwater Utility Revenue Bonds, Series 1999 and 2004. The required annual payments, including interest, amounted to approximately \$120,000 through 2018. Commencing in 2019, the remaining annual payments, including interest, approximate \$37,200 through maturity in 2029. The outstanding principal balance at September 30, 2023 amounted to \$195,455.

2. Compensated Absences

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

3. Lease Liabilities and Net Pension Liability

Leases and net pension liability are disclosed in further detail in Notes H and J below.

4. Non-Current Liabilities Summary Schedule

Changes in non-current liabilities for the year ended September 30, 2023, were as follows:

	<u>9/30/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/23</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Current Liabilities					
Stormwater Utility Revenue Bonds - County	215,928	-	20,473	195,455	30,312
Lease Liabilities	967,029	-	314,375	652,654	209,796
Accrued Compensated Absences	1,564,587	143,222	406,287	1,301,522	525,000
Net Pension Liability (Asset)	<u>(652,869)</u>	<u>6,610,726</u>	<u>1,818,643</u>	<u>4,139,214</u>	<u>-</u>
Total Other Non-Current Liabilities	<u>2,094,675</u>	<u>6,753,948</u>	<u>2,559,778</u>	<u>6,288,845</u>	<u>765,108</u>
Total	<u>\$ 2,094,675</u>	<u>\$ 6,753,948</u>	<u>\$ 2,559,778</u>	<u>\$ 6,288,845</u>	<u>\$ 765,108</u>

Combined aggregate maturities for all bonds and direct borrowings and direct placements for each of the next five years and to maturity are as follows:

<u>Year</u>	Future Commitments	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 30,312	\$ 6,864
2025	31,361	5,815
2026	32,447	4,729
2027	33,569	3,607
2028	34,731	2,445
2029	33,035	1,244
Total	<u>\$ 195,455</u>	<u>\$ 24,704</u>

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

H. Leases

The City entered into noncancellable leases with various vendors as a lessee for the intangible right-to-use office facilities, equipment, and vehicles. The lease terms include the noncancellable period per the contract plus/minus any extension options or termination options the City is reasonably certain to exercise. During 2023 the City recognized decreases of \$303,873 due to amortization, for a right-to-use lease asset balance of \$651,540, net of amortization.

During 2023 the City recognized principal lease payments of \$314,375 and interest payments of \$5,562. The principal payments reduced the lease liability to \$652,654. The right-to-use asset activity is included below.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Right-to-Use Assets				
Leased office space	\$ 712,950	\$ -	\$ -	\$ 712,950
Leased vehicles	696,706	-	-	696,706
Leased equipment	104,176	-	-	104,176
Total Right-to-Use Assets	<u>1,513,832</u>	<u>-</u>	<u>-</u>	<u>1,513,832</u>
Less: Amortization				
Leased office space	115,006	115,854	-	230,860
Leased vehicles	416,890	161,417	-	578,307
Leased equipment	26,523	26,602	-	53,125
Total Amortization	<u>558,419</u>	<u>303,873</u>	<u>-</u>	<u>862,292</u>
Total Right-to-Use Assets, Net of Amortization	<u>\$ 955,413</u>	<u>\$ (303,873)</u>	<u>\$ -</u>	<u>\$ 651,540</u>

The City's future principal and interest annual payments under the leases as of September 30, 2023 are as follows:

<u>Year</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 210,402	\$ 4,160
2025	175,976	2,774
2026	133,777	1,608
2027	122,491	560
2028	10,008	6
	<u>\$ 652,654</u>	<u>\$ 9,108</u>

I. Fund Balance

Restrictions of fund balance include the following:

1. Restricted for Stormwater and Drainage Improvements – represents the amount of fund equity in special revenue funds which is to be used (externally imposed) only for stormwater and drainage improvements.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

I. Fund Balance - (continued)

2. Restricted for Public Safety Initiatives – represents the amount of fund equity in special revenue funds and the capital project fund which is to be used (externally imposed) only for specific law enforcement expenditures, and includes impact fees to be used for capital improvements.
3. Restricted for Capital Projects – represents the amount of fund equity in the capital project fund which is to be used for specific capital improvement projects.
4. Restricted for Parks and Recreation – represents the amount of fund equity in special revenue funds and the capital project fund which is to be used (externally imposed) only for expenditures pertaining to parks and recreation, and includes impact fees to be used for capital improvements.
5. Restricted for Transportation, Roads and Streets – represents the amount of fund equity in special revenue funds and the capital project fund which is to be used (externally imposed) only for specific transit and transportation related expenditures or expenditures pertaining to roads and streets, and includes impact fees to be used for capital improvements.
6. Restricted for Building Department – represents the amount of fund equity in the general fund which is to be used only for costs associated with inspection and enforcement of the building code in accordance with Florida Statutes.

J. Pension Plans

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

1. Defined Benefit Plan - Police Officers

Plan Description and Benefits Provided

The City established a single employer defined benefit retirement plan (the "Plan") on October 1, 1976 which covers all full-time police officers of the City under age 60. The Plan is controlled by a Board of Trustees independent of the City and falls under the requirements of Florida Statutes Chapter 185, Municipal Police Officers Retirement Trust Funds. The Plan was established under the Code of Ordinances for the City of Sweetwater, Florida, Chapter 50, Article IV, and was most recently amended under Ordinance No. 4830, passed and adopted on June 6, 2022. The Plan is also governed by certain provisions of Chapter 185, Florida Statutes, Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. The Plan meets the criteria for inclusion in the City's reporting entity as a component unit and therefore, has been reported in the City's basic financial statements.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

J. Pension Plans - (continued)

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

Plan Description and Benefits Provided - (continued)

The contributions to the Plan are from three sources, the City, the State of Florida, and the police officers. The State's contribution to the fund represents a tax on all liability insurance premiums collected within the State. The proceeds of this tax are contributed to this plan as part of the City's contribution. The individual police officers are required to contribute 12% of their compensation, without cost-sharing. The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability without cost-sharing. The City must keep the plan actuarially sound and fund any actuarial deficiency as required by Chapter 185, Florida Statutes. The City's payroll for covered employees was approximately \$6,750,000 and the City's total payroll for the police department employees was approximately \$7,850,000.

The Plan provides normal retirement benefit of 3% of the average annual compensation times the years of a contributing service, principally through a 10 year Certain and Life annuity, with other options available for those employees retiring at age 50 and with 10 years of contributing service. The Plan also provides early retirement benefit for those employees retiring 10 years prior to the normal retirement date. The benefit is based on the amount accrued to date, but is actuarially reduced to take into account the lower retirement age. The Plan also provides pre-retirement death benefits and disability retirement benefits. Contributions vest to the employees at a rate of 10% for each year of contributing service. These benefit provisions and all other requirements are established by Florida Statutes Chapter 185.

Cash and Short-Term Investments

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

Investments and Investment Strategy

The Plan's investment activities are consistent with those prescribed in the written investment guidelines adopted by the Board of Trustees, (Ordinance No. 2837, Section 17A-50(g), January 8, 2001). The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement was last amended in June 2020. The following was the Pension Board's adopted asset allocation policy as of September 30, 2023 – domestic equities, 40% to 60%; international equities, 10% to 20%; domestic fixed income, 25% to 35%; foreign fixed income 0% to 10%; and cash and cash equivalents, minimal.

During the year ended September 30, 2023 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$2,034,074 (reported within investment income in the statement of changes in fiduciary net position).

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

J. Pension Plans - (continued)

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

Interest Rate Risk

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

Credit Risk

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

The Plan limits its credit risk by limiting its fixed income investments to securities issued by nationally recognized statistical rating organizations and by limiting investments with any one issuer to no more than 5% of Plan assets. At September 30, 2023, investment in the following mutual funds represented more than 5% of the Plan's net position: Dodge & Cox Income Fund (31.4%), Dodge & Cox International Stock (6.2%) and American Funds Europacific (5.9%). The Plan's fixed income rating is included below. The Plan's investments in corporate bonds, corporate stock/equity securities, and money market funds are not subject to custodial credit risk. Also, investments in U.S. government securities are not subject to a concentration of credit risk.

Other Risks

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

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

J. Pension Plans - (continued)

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

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

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

At September 30, 2023, the Plan's deposits and investments consisted of the following:

	<u>Market Value</u>	<u>Effective Duration (In Years)</u>	<u>Credit Risk</u>
Investments by Types:			
Money Market Funds	\$ 176,395	N/A	N/A
Fixed Income Mutual Funds	6,535,792	See below	Aaa/Aa/A/Bbb/Bb/Unrated
Equities	10,866,965	N/A	N/A
Equity Mutual Fund	2,505,330	N/A	N/A
Foreign Equities	362,576	N/A	N/A
Total Investments	<u>\$ 20,447,058</u>		

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

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>More than 10 years</u>
Fixed Income Mutual Funds	\$ 6,535,792	\$ -	\$ 1,542,447	\$ 3,496,649	\$ 1,496,696
Totals	<u>\$ 6,535,792</u>	<u>\$ -</u>	<u>\$ 1,542,447</u>	<u>\$ 3,496,649</u>	<u>\$ 1,496,696</u>

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

At September 30, 2023, the City reported a net pension liability of \$3,064,219 for the Plan. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2021.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

J. Pension Plans - (continued)

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

For the year ended September 30, 2023, the City recognized pension expense of \$1,295,808. At September 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 398,355	\$ 148,486
Changes of assumptions	249,237	-
Net difference between projected and actual earnings on pension plan investments	4,077,764	1,292,226
City contributions subsequent to the measurement date	1,329,527	-
	\$ 6,054,883	\$ 1,440,712

The \$1,329,527 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:		
2024	\$	748,141
2025	\$	625,772
2026	\$	769,968
2027	\$	1,067,873
2028	\$	66,253
Thereafter	\$	6,637

Actuarial Assumptions

The total pension liability in the October 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

Mortality rates were based on the same versions of PUB-2010 Headcount-Weighted Mortality Tables as used by the Florida Retirement System (FRS) for Special Risk Class members in their July 1, 2021 actuarial valuation (with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018). Florida Statutes Chapter 112.63(f) mandates the use of mortality tables from one of the two most recently published FRS actuarial valuation reports.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

J. Pension Plans - (continued)

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

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2023 are summarized in the following table:

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

Discount Rate

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

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

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 7.00%. It was also calculated using a discount rate that was one percentage point lower (6.00%) and one percentage point higher (8.00%) and the different computations were compared.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net pension liability (asset)	\$ 5,330,214	\$ 3,064,219	\$ 1,161,601

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

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

J. Pension Plans - (continued)

2. Defined Benefit Plan - General Employees

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

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

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

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

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

The City contributed \$3.24 for non-union covered employees and \$3.24 for union covered employees for each hour worked. The total contribution for covered employees by the City for the year ended September 30, 2023 amounted to approximately \$358,000.

3. Section 457 Deferred Compensation Plan

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

The plan is available for all employees and officials who elect to participate. The purpose of the plan is to provide additional benefits to City employees and officials who elect to voluntarily set aside and invest portions of their current income to meet future financial requirements and to supplement existing retirement programs. The plan is administered by an independent plan administrator through an administrative service agreement. The City's administrative involvement is limited to transmitting amounts withheld from payroll to the Plan administrator, who performs investing functions. The plan is considered as an other employee benefit plan in accordance with GASB No. 97, and is not considered as a fiduciary activity of the City under provisions of GASB No. 84. Plan assets are held in trust for the benefit of the participants and their beneficiaries. The assets will not be diverted for any other purpose.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
September 30, 2023

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

J. Pension Plans - (continued)

4. City of Sweetwater Elected Officials' Retirement Trust

Through the adoption of Resolution No. 3004, the City's Board of Commissioners approved the creation of an irrevocable trust fund called the "City of Sweetwater Elected Officials' Retirement Trust" (the "Trust"). The Trust was established under the Code of Ordinances for the City of Sweetwater, Florida, Chapter 2, Article IV, Division 6, and was most recently amended under Ordinance No. 5056 passed and adopted on February 29, 2024 (Note IV – L). The Trust is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. A five-member Board of Trustees, comprised of the Mayor, three City commissioners, and one member at large selected by the other members of the Board of Trustees by majority vote, administers and manages the retirement system.

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

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

As of September 30, 2023, the Elected Officials' Retirement Trust had accumulated net position of \$1,860,997 and purchased life annuities and investments under the City's name for various eligible officials with an aggregate fair value of \$1,645,131. See Note IV–A for credit risk and weighted average maturities in years of annuities.

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

At September 30, 2023, the City reported a net pension liability of \$1,074,995 for the Trust. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2022.

For the year ended September 30, 2023, the City recognized pension expense of \$247,053. At September 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

J. Pension Plans - (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 523,480	\$ -
Changes of assumptions	-	343,295
Net difference between projected and actual earnings on pension plan investments	251,648	64,618
	\$ 775,128	\$ 407,913

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

Year Ended September 30:		
2024	\$	2,161
2025	\$	64,956
2026	\$	154,368
2027	\$	73,328
2028	\$	72,402
Thereafter	\$	-

Actuarial Assumptions

The total pension liability in the October 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Actuarial cost method	Entry age normal
Salary increases	4.00%
Investment rate of return	6.00%

Mortality rates were based on the PUB-2010 Headcount Weighted General Below-Median Health Retiree Mortality Table (for postretirement mortality), with separate rates for males and females and mortality improvements projected to all future years after 2010 using Scale MP-2018. For males, the base mortality rates are set back one year. These are the same rates currently in use for Regular (other than K-12 School Instructional Personnel) members of the Florida Retirement System (FRS), as mandated by Florida Statutes, Chapter 112.63.

The investment return assumption was 6.0% in order to more accurately reflect the anticipated future investment earnings on the group annuity contracts in which most of the Trust assets are invested. The long-term expected rate of return on Trust investments is 6.0%.

CITY OF SWEETWATER, FLORIDA
Notes to Basic Financial Statements
 September 30, 2023

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

J. Pension Plans - (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments of current Trust members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 6.0%. It was also calculated using a discount rate that was one percentage point lower (5.0%) and one percentage point higher (7.0%) and the different computations were compared.

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability	\$ 1,358,622	\$ 1,074,995	\$ 835,949

K. Contingencies and Commitments

1. Litigation and Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City carries insurance. There was no reduction in insurance coverage for each of the past three years for which the City has carried \$3,000,000 general liability coverage.

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

The City and City of Sweetwater Elected Officials' Retirement Trust, in August 2023, settled a lawsuit with a former employee and elected official regarding the dispute of the amount of retirement benefits to which the plaintiff was entitled to. As part of the settlement, the Pension Trust shall pay the former employee and elected official \$230,415 consisting of the total monthly benefit payments previously issued by the City from 2018 through July 2023 which were not yet cashed by the plaintiff due to the ongoing dispute. A second payment of \$37,084 shall be paid to the plaintiff as part of the initial settlement payment. Additionally, supplemental settlement payments for the total sum of \$570,000 will be paid to the plaintiff in twenty-one installments of \$25,000 every three months, except for the final payment in the amount of \$45,000. Commencing in August 2023, the Pension Trust will continue to pay a monthly benefit payment of \$2,916 in accordance with the pension plan.

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

K. Contingencies and Commitments - (continued)

2. Construction Commitments

The City has active construction projects in progress and projects it has committed to that have not commenced as of September 30, 2023. The projects include stormwater drainage improvements and construction and improvements throughout the City. The remaining total commitments amount to approximately \$1,000,000.

3. Federal and State Awards

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

L. Subsequent Events

In February 2024, the City of Sweetwater Elected Officers' Retirement Trust was terminated, except for those elected officials who have already retired or are vested but not yet retired; as it was determined by the City Commission that the Plan, as designed, constituted an excessive financial burden on the City. The City shall fund the Elected Officers' Retirement Trust to cover all outstanding liabilities, including but not limited to benefits due to members who are vested but not eligible. In lieu of the termination of the plan, all its elected officials except those excluded by law, shall participate in the Florida Retirement System (FRS) as authorized by Chapter 121, Florida Statutes. Elected officials otherwise excluded by law shall be entitled to participate in the City's defined contribution plans and shall receive City contributions into defined contribution plans to the same extent as if they were receiving contributions into the FRS.

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

City of Sweetwater, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 11,917,142	\$ 11,917,142	\$ 12,007,473	\$ 90,331
Revenue sharing	3,276,655	3,830,548	3,822,982	(7,566)
Franchise fees	2,941,363	3,566,402	3,714,103	147,701
Licenses, permits, and fees	6,233,685	5,834,217	5,733,545	(100,672)
Fines, forfeitures, and donations	945,421	1,036,172	934,505	(101,667)
Utility service taxes	1,075,860	1,245,338	1,218,592	(26,746)
Grants/contributions	-	-	1,255,506	1,255,506
Investment income	21,917	459,719	453,985	(5,734)
Management fees	114,634	114,634	72,043	(42,591)
Rental income and other miscellaneous	173,772	422,926	416,167	(6,759)
Appropriation of fund balance	2,114,831	2,720,494	-	(2,720,494)
Total Revenues	<u>28,815,280</u>	<u>31,147,592</u>	<u>29,628,901</u>	<u>(1,518,691)</u>
Expenditures				
Current:				
Administrative	4,153,679	4,153,679	3,477,877	675,802
Public safety	13,535,794	13,454,448	12,435,054	1,019,394
Parks and recreation	1,225,488	1,007,562	692,517	315,045
Maintenance	2,815,834	2,565,730	2,288,610	277,120
School guards	28,543	28,543	27,748	795
Building, zoning, planning, roads, and code enforcement	2,719,145	2,734,055	2,198,566	535,489
Executive and legislative	2,137,104	2,151,034	1,782,289	368,745
Capital outlay	1,911,119	1,961,079	4,336,648	(2,375,569)
Debt service				
Principal retirement	-	2,834,808	315,908	2,518,900
Interest	-	-	10,933	(10,933)
Total Expenditures	<u>28,526,706</u>	<u>30,890,938</u>	<u>27,566,150</u>	<u>3,324,788</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>288,574</u>	<u>256,654</u>	<u>2,062,751</u>	<u>1,806,097</u>
Other Financing Sources and (Uses)				
Operating transfers (out)	(129,095)	(129,095)	(288,575)	(159,480)
Proceeds - sale of capital assets	-	31,920	36,082	4,162
Total Other Financing Sources and (Uses)	<u>(288,574)</u>	<u>(256,654)</u>	<u>(250,913)</u>	<u>5,741</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,811,838</u>	<u>\$ 1,811,838</u>

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2023

	Administrative			Public Safety		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 11,917,142	\$ 12,007,473	\$ 90,331	\$ -	\$ -	\$ -
Revenue sharing	3,830,548	3,822,982	(7,566)	-	-	-
Franchise fees	3,566,402	3,714,103	147,701	-	-	-
Licenses, permits, and fees	2,340,688	2,280,007	(60,681)	278,055	264,276	(13,779)
Fines, forfeitures, and donations	-	-	-	770,683	669,016	(101,667)
Utility service taxes	1,245,338	1,218,592	(26,746)	-	-	-
Grants/contributions	-	1,255,506	1,255,506	-	-	-
Investment income	459,719	453,985	(5,734)	-	-	-
Management fees	114,634	72,043	(42,591)	-	-	-
Rental income and other miscellaneous	415,894	407,748	(8,146)	-	-	-
Total Revenues	26,610,859	25,232,439	(1,378,420)	1,048,738	933,292	(115,446)
Expenditures						
Current						
Personnel services	2,848,016	2,513,836	334,180	11,779,377	11,120,017	659,360
Operating	1,305,663	964,041	341,622	1,675,071	1,315,037	360,034
Total Current	4,153,679	3,477,877	675,802	13,454,448	12,435,054	1,019,394
Capital outlay	60,000	55,756	4,244	799,675	168,316	631,359
Debt service						
Principal payment	2,834,808	210,403	2,624,405	-	105,505	(105,505)
Interest	-	5,561	(5,561)	-	5,372	(5,372)
Total Expenditures	7,048,487	3,749,597	3,298,890	14,254,123	12,714,247	1,539,876
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 19,562,372	\$ 21,482,842	\$ 1,920,470	\$ (13,205,385)	\$ (11,780,955)	\$ 1,424,430

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2023
(Continued)

	<u>Parks and Recreation</u>			<u>Maintenance</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue sharing	-	-	-	-	-	-
Franchise fees	-	-	-	-	-	-
Licenses, permits, and fees	24,300	-	(24,300)	-	(1,914)	(1,914)
Fines, forfeitures, and donations	1,000	1,000	-	-	-	-
Utility service taxes	-	-	-	-	-	-
Grants/contributions	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Rental income and other miscellaneous	-	-	-	-	-	-
Total Revenues	<u>25,300</u>	<u>1,000</u>	<u>(24,300)</u>	<u>-</u>	<u>(1,914)</u>	<u>(1,914)</u>
Expenditures						
Current						
Personnel services	426,213	384,403	41,810	1,731,294	1,711,103	20,191
Operating	<u>581,349</u>	<u>308,114</u>	<u>273,235</u>	<u>834,436</u>	<u>577,507</u>	<u>256,929</u>
Total Current	1,007,562	692,517	315,045	2,565,730	2,288,610	277,120
Capital outlay	32,000	-	32,000	58,960	1,226,596	(1,167,636)
Debt service						
Principal payment	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>1,039,562</u>	<u>692,517</u>	<u>347,045</u>	<u>2,624,690</u>	<u>3,515,206</u>	<u>(890,516)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (1,014,262)</u>	<u>\$ (691,517)</u>	<u>\$ 322,745</u>	<u>\$ (2,624,690)</u>	<u>\$ (3,517,120)</u>	<u>\$ (892,430)</u>

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2023
(Continued)

	<u>School Guards</u>			<u>Building, Zoning, Planning, Roads, and Code Enforcement</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue sharing	-	-	-	-	-	-
Franchise fees	-	-	-	-	-	-
Licenses, permits, and fees	-	-	-	3,191,174	3,191,176	2
Fines, forfeitures, and donations	-	-	-	264,489	264,489	-
Utility service taxes	-	-	-	-	-	-
Grants/contributions	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Rental income and other miscellaneous	7,032	8,419	1,387	-	-	-
Total Revenues	<u>7,032</u>	<u>8,419</u>	<u>1,387</u>	<u>3,455,663</u>	<u>3,455,665</u>	<u>2</u>
Expenditures						
Current						
Personnel services	26,591	26,298	293	2,115,883	1,907,179	208,704
Operating	1,952	1,450	502	618,172	291,387	326,785
Total Current	<u>28,543</u>	<u>27,748</u>	<u>795</u>	<u>2,734,055</u>	<u>2,198,566</u>	<u>535,489</u>
Capital outlay	-	-	-	1,010,444	2,885,980	(1,875,536)
Debt service						
Principal payment	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>28,543</u>	<u>27,748</u>	<u>795</u>	<u>3,744,499</u>	<u>5,084,546</u>	<u>(1,340,047)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (21,511)</u>	<u>\$ (19,329)</u>	<u>\$ 2,182</u>	<u>\$ (288,836)</u>	<u>\$ (1,628,881)</u>	<u>\$ (1,340,045)</u>

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2023
(Continued)

	Executive and Legislative		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ -	\$ -	\$ -
Revenue sharing	-	-	-
Franchise fees	-	-	-
Licenses, permits, and fees	-	-	-
Fines, forfeitures, and donations	-	-	-
Utility service taxes	-	-	-
Grants/contributions	-	-	-
Investment income	-	-	-
Management fees	-	-	-
Rental income and other miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current			
Personnel services	1,295,586	1,264,396	31,190
Operating	855,448	517,893	337,555
Total Current	<u>2,151,034</u>	<u>1,782,289</u>	<u>368,745</u>
Capital outlay	-	-	-
Debt service			
Principal payment	-	-	-
Interest	-	-	-
Total Expenditures	<u>2,151,034</u>	<u>1,782,289</u>	<u>368,745</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (2,151,034)</u>	<u>\$ (1,782,289)</u>	<u>\$ 368,745</u>

City of Sweetwater, Florida
Statement of Revenues and Expenditures
Budget and Actual - General Fund
(Budgetary Basis)
For the Year Ended September 30, 2023
(Continued)

	TOTAL		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 11,917,142	\$ 12,007,473	\$ 90,331
Revenue sharing	3,830,548	3,822,982	(7,566)
Franchise fees	3,566,402	3,714,103	147,701
Licenses, permits, and fees	5,834,217	5,733,545	(100,672)
Fines, forfeitures, and donations	1,036,172	934,505	(101,667)
Utility service taxes	1,245,338	1,218,592	(26,746)
Grants/contributions	-	1,255,506	1,255,506
Investment income	459,719	453,985	(5,734)
Management fees	114,634	72,043	(42,591)
Rental income and other miscellaneous	422,926	416,167	(6,759)
Appropriation of fund balance	2,720,494	-	(2,720,494)
Total Revenues	<u>31,147,592</u>	<u>29,628,901</u>	<u>(1,518,691)</u>
Expenditures			
Current			
Personnel services	20,222,960	18,927,232	1,295,728
Operating	5,872,091	3,975,429	1,896,662
Total Current	<u>26,095,051</u>	<u>22,902,661</u>	<u>3,192,390</u>
Capital outlay	1,961,079	4,336,648	(2,375,569)
Debt service			
Principal payment	2,834,808	315,908	2,518,900
Interest	-	10,933	(10,933)
Total Expenditures	<u>30,890,938</u>	<u>27,566,150</u>	<u>3,324,788</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>256,654</u>	<u>2,062,751</u>	<u>1,806,097</u>
Other Financing Sources (Uses)			
Operating transfers in (out)	(288,574)	(286,995)	1,579
Proceeds - sale of capital assets	31,920	36,082	4,162
Total Other Financing Sources (Uses)	<u>(256,654)</u>	<u>(250,913)</u>	<u>5,741</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 1,811,838</u>	<u>\$ 1,811,838</u>

CITY OF SWEETWATER, FLORIDA
Notes to Budgetary Comparison Schedules
September 30, 2023

Note 1. Budgets and Budgetary Accounting

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

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

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

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

Note 2. Excess of Expenditures over Appropriations

During fiscal year ended September 30, 2023, the City had various line item expenditures that exceeded appropriations, but total expenditures were within budgeted amounts at the department level, except for capital outlay. The excess capital outlay expenditures in the amount of \$2,375,569 were due to reclassification to capital outlays related to the purchase of two units of an office building, which was initially budgeted and recorded under debt service expenditures. The expenditures were approved and covered by revenues. The excess debt service interest expenditures in the amount of \$10,933 were due to reclassification of capital outlay and debt service expenditures and related adjustments for financial statement purposes, including lease financing. Other line-item over-expenditures were due to reclassification of capital outlay and debt service expenditures as related to adjustments for financial statement purposes, including lease financing; and costs for supplies being higher than anticipated.

Note 3. Budget/GAAP Reconciliation

The statement of revenues, expenditures and changes in fund balance, budget and actual, are prepared on a budgetary basis to account for encumbered items at year end. The governmental fund financial statements are prepared on a GAAP basis and therefore do not include encumbered items. The City did not have any material encumbrances outstanding as of September 30, 2023; as a result, a reconciliation of budgetary basis to GAAP basis is not necessary.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,508,648	\$ 1,275,052	\$ 1,134,737	\$ 1,084,953	\$ 1,170,082	\$ 1,208,895	\$ 626,028	\$ 679,735	\$ 703,400	\$ 597,375
Contributions in relation to the contractually required contribution	<u>(1,508,648)</u>	<u>(1,275,052)</u>	<u>(1,134,737)</u>	<u>(1,084,953)</u>	<u>(1,170,082)</u>	<u>(1,208,895)</u>	<u>(626,028)</u>	<u>(679,735)</u>	<u>(703,400)</u>	<u>(597,375)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 6,753,125	\$ 5,110,428	\$ 3,982,929	\$ 3,398,896	\$ 2,991,410	\$ 2,733,849	\$ 1,927,011	\$ 2,173,720	\$ 3,079,867	\$ 2,756,617
Contributions as a percentage of covered payroll	22.34%	24.95%	28.49%	31.92%	39.11%	44.22%	32.49%	31.27%	22.84%	21.67%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 173,538	\$ 567,205	\$ 555,251	\$ 562,611	\$ 544,394	\$ 527,048	\$ 548,712	\$ 184,805	\$ 243,601
Contributions in relation to the contractually required contribution	<u>(184,461)</u>	<u>(75,181)</u>	<u>(199,498)</u>	<u>(1,462,019)</u>	<u>(631,286)</u>	<u>(334,446)</u>	<u>(164,892)</u>	<u>(136,010)</u>	<u>(156,873)</u>
Contribution deficiency (excess)	<u>\$ (10,923)</u>	<u>\$ 492,024</u>	<u>\$ 355,753</u>	<u>\$ (899,408)</u>	<u>\$ (86,892)</u>	<u>\$ 192,602</u>	<u>\$ 383,820</u>	<u>\$ 48,795</u>	<u>\$ 86,728</u>
City's covered payroll	\$ 368,106	\$ 324,321	\$ 317,486	\$ 322,368	\$ 301,921	\$ 292,301	\$ 304,316	\$ 269,316	\$ 355,000
Contributions as a percentage of covered payroll	50.11%	23.18%	62.84%	453.52%	209.09%	114.42%	54.18%	50.50%	44.19%

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

COMBINING FINANCIAL STATEMENTS

City of Sweetwater, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2023

	Special Revenue						Total Nonmajor Governmental Funds
	1/2 Cent Tax Fund	Mildred Claude Pepper Center Fund	Stormwater and Drainage Improvement Fund	General Environment Grant Fund	Law Enforcement Grants Fund	Various Police Trust Funds	
Assets							
Cash - restricted	\$ 2,683,801	\$ 31,431	\$ 863,987	\$ 198,942	\$ 104,177	\$ 174,629	\$ 4,056,967
Accounts receivable	192,162	234,148	330,177	-	-	155	756,642
Due from other funds	75	-	-	-	42,825	-	42,900
Total Assets	<u>\$ 2,876,038</u>	<u>\$ 265,579</u>	<u>\$ 1,194,164</u>	<u>\$ 198,942</u>	<u>\$ 147,002</u>	<u>\$ 174,784</u>	<u>\$ 4,856,509</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 119,963	\$ 125,269	\$ 34,680	\$ -	\$ -	\$ -	\$ 279,912
Due to other funds	459,573	-	312,880	-	-	69,057	841,510
Unearned revenue	-	7,650	-	-	-	-	7,650
Total Liabilities	<u>579,536</u>	<u>132,919</u>	<u>347,560</u>	<u>-</u>	<u>-</u>	<u>69,057</u>	<u>1,129,072</u>
Fund balances:							
Restricted for:							
Stormwater and drainage improvements	-	-	846,604	198,942	-	-	1,045,546
Public safety initiatives	-	-	-	-	147,002	105,727	252,729
Parks and recreation	-	132,660	-	-	-	-	132,660
Transportation	2,296,502	-	-	-	-	-	2,296,502
Total Fund Balance	<u>2,296,502</u>	<u>132,660</u>	<u>846,604</u>	<u>198,942</u>	<u>147,002</u>	<u>105,727</u>	<u>3,727,437</u>
Total Liabilities and Fund Balance	<u>\$ 2,876,038</u>	<u>\$ 265,579</u>	<u>\$ 1,194,164</u>	<u>\$ 198,942</u>	<u>\$ 147,002</u>	<u>\$ 174,784</u>	<u>\$ 4,856,509</u>

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

City of Sweetwater, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	Special Revenue						Total Nonmajor Governmental Funds
	1/2 Cent Tax Fund	Mildred Claude Pepper Center Fund	Stormwater and Drainage Improvement Fund	General Environment Grant Fund	Law Enforcement Grants Fund	Various Police Trust Funds	
Revenues							
Taxes	\$ 821,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 821,016
Licenses, permits, and fees	-	-	1,024,356	-	-	-	1,024,356
Fines, forfeitures, and donations	-	-	-	-	-	61,428	61,428
Grants/contributions	-	700,395	-	-	118,973	-	819,368
Investment income	84,415	-	22,985	-	-	1,573	108,973
Other miscellaneous	-	-	-	-	4,869	-	4,869
Total Revenues	<u>905,431</u>	<u>700,395</u>	<u>1,047,341</u>	<u>-</u>	<u>123,842</u>	<u>63,001</u>	<u>2,840,010</u>
Expenditures							
Current:							
Public safety	-	-	-	-	-	14,604	14,604
Parks and recreation	-	989,917	-	-	-	-	989,917
Transportation	708,132	-	-	-	-	-	708,132
Stormwater and drainage	-	-	839,429	-	-	-	839,429
Capital Outlay	617,228	-	-	-	-	-	617,228
Debt Service							
Principal retirement	-	-	18,940	-	-	-	18,940
Interest	-	-	7,878	-	-	-	7,878
Total Expenditures	<u>1,325,360</u>	<u>989,917</u>	<u>866,247</u>	<u>-</u>	<u>-</u>	<u>14,604</u>	<u>3,196,128</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(419,929)</u>	<u>(289,522)</u>	<u>181,094</u>	<u>-</u>	<u>123,842</u>	<u>48,397</u>	<u>(356,118)</u>
Other Financing Sources (Uses)							
Operating transfers in (out)	129,095	159,480	-	-	-	(1,580)	286,995
Total Other Financing Sources (Uses)	<u>129,095</u>	<u>159,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,580)</u>	<u>286,995</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(290,834)</u>	<u>(130,042)</u>	<u>181,094</u>	<u>-</u>	<u>123,842</u>	<u>46,817</u>	<u>(69,123)</u>
Fund Balances - October 1, 2022	<u>2,587,336</u>	<u>262,702</u>	<u>665,510</u>	<u>198,942</u>	<u>23,160</u>	<u>58,910</u>	<u>3,796,560</u>
Fund Balances - September 30, 2023	<u>\$ 2,296,502</u>	<u>\$ 132,660</u>	<u>\$ 846,604</u>	<u>\$ 198,942</u>	<u>\$ 147,002</u>	<u>\$ 105,727</u>	<u>\$ 3,727,437</u>

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

COMPLIANCE SECTION



GARCIA

ESPINOSA

MIYARES

RODRIGUEZ

TRUEBA

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sweetwater, Florida (the “City”), as of and for the year ended September 30, 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 January 3, 2025. Our report includes a reference to other auditors who audited the financial statements of the City’s Police Officers’ Defined Benefit Pension Plan fund, as described in our report on the City’s financial statements. This report includes our consideration of the results of the other auditors’ testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01 that we consider to be a significant deficiency.

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

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Report on Compliance and Other Matters

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

City of Sweetwater, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response 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 Report

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

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

Coral Gables, Florida
January 3, 2025



GARCIA

ESPINOSA

MIYARES

RODRIGUEZ

TRUEBA

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

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

We have examined the City of Sweetwater, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2023. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements. In our opinion, the City of Sweetwater, Florida complied, in all material respects, with the requirements of Section 218.415 Florida Statutes for the fiscal year ended September 30, 2023.

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

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

Coral Gables, Florida
January 3, 2025

GARCIA, ESPINOSA, MIYARES, RODRIGUEZ, TRUEBA & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
2600 Douglas Road, Suite 800 Coral Gables, FL 33134 | P 305 529 5440 | F 305 529 5441 | www.gemrtcpa.com



GARCIA | ESPINOSA | MIYARES | RODRIGUEZ | TRUEBA

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

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

Report on the Financial Statements

We have audited the financial statements of the City of Sweetwater, Florida (the “City”), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated January 3, 2025.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 3, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the schedule of findings and questioned costs. The following is a summary of findings that remain uncorrected or were also identified in the two preceding fiscal year financial audit reports.

Tabulation of Prior Year Audit Findings		
Current Year Finding #	FY 9/30/22 Finding #	FY 9/30/21 Finding #
2023-01	2022-01	N/A
2023-02	2022-02	N/A
2023-03	2022-03	N/A

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Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, see recommendations and current status updates included in the schedule of findings and questioned costs.

Additional Matters

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

Purpose of this Letter

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



Coral Gables, Florida
January 3, 2025



GARCIA

ESPINOSA

MIYARES

RODRIGUEZ

TRUEBA

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Sweetwater, Florida’s (the “City”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended September 30, 2023. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance 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 of Sweetwater, Florida 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 federal program. 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 of Sweetwater, Florida’s federal programs.

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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 of Sweetwater, Florida'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 the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for 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 federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-03. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures the City of Sweetwater, Florida's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-02, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Sweetwater, Florida's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Coral Gables, Florida
January 3, 2025

City of Sweetwater, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Agency Pass-through Entity <u>Federal Program</u>	Assistance Listing <u>Number</u>	Contract/ Grant <u>Number</u>	<u>Expenditures</u>
<u>FEDERAL AGENCY NAME</u>			
U.S. Department of Justice			
Equitable Sharing Program	16.922	Not applicable	\$ 19,185
TOTAL U.S. DEPARTMENT OF JUSTICE			19,185
U.S. Department of Treasury			
<i>Pass-through Florida Division of Emergency Management</i>			
ARPA Coronavirus State and Local Fiscal Recovery Funds Program	21.027	Y5303	1,248,724
Equitable Sharing Program	21.016	Not applicable	360
TOTAL U.S. DEPARTMENT OF TREASURY			1,249,084
U.S. Department of Health and Human Services			
Aging Cluster			
<i>Pass-through Alliance for the Aging</i>			
Special Programs for the Aging, Title III, Part B	93.044	AA-2256	2,832
Special Programs for the Aging, Title III, Part B	93.044	AA-2356	26,588
			29,420
<i>Pass-through Alliance for the Aging</i>			
Special Programs for the Aging, Title III, Part C	93.045	AA-2256	29,575
Special Programs for the Aging, Title III, Part C	93.045	AA-2356	92,002
			121,577
<i>Pass-through Alliance for the Aging</i>			
Nutrition Services Incentive Program	93.053	AA-2256	5,235
Nutrition Services Incentive Program	93.053	AA-2356	36,937
			42,172
Total Aging Cluster			193,169
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			193,169
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,461,438

The accompanying notes are an integral part of this schedule

CITY OF SWEETWATER, FLORIDA
Notes to Schedule of Expenditures of Federal Awards
September 30, 2023

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (the “Schedule”) presents the federal grant activity of all programs and projects of the City of Sweetwater, Florida (the “City”), recorded by the City during the fiscal year ended September 30, 2023. The City’s reporting entity is defined in Part I of the City’s financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF PRESENTATION

The information in this Schedule is presented in accordance with the requirements of the cost principles contained in the Uniform Guidance. 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.

The expenditures in the accompanying Schedule are presented using the modified accrual basis of accounting, which is described in Part I – Note 3 of the City’s basic financial statements. Under the modified accrual basis of accounting, expenditures are recognized when the City becomes obligated for a payment as a result of the receipt of the related goods or services.

NOTE 3 – CONTRACT AWARDS

The contracts shown on the Schedule include federal awards received directly from federal agencies, as well as federal awards passed-through other government agencies.

NOTE 4 – CONTINGENCIES

Grant funding received by the City are for specific purposes and are subject to review by grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. The possible disallowance by a governmental agency of any item charged to a program cannot be determined at this time. 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.

NOTE 5 – INDIRECT COST RATE

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

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

PART I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors’ report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?	Yes
Identification of major Federal programs:	
<u>Federal Program</u>	<u>Federal ALN</u>
ARPA Coronavirus State and Local Fiscal Recovery Funds Program	21.027
Dollar threshold used to distinguish between Type A and Type B Federal programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	No

PART II – FINDINGS - FINANCIAL STATEMENTS

Finding 2023-01

Significant Deficiency: Audit Journal Entries

Criteria or Specific Requirement

Management is responsible for establishing and maintaining effective internal control over financial reporting.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

PART II – FINDINGS - FINANCIAL STATEMENTS – (continued)

Condition

The City's financial statements required material audit adjusting journal entries for the financial statements to be presented in accordance with generally accepted accounting principles (GAAP). The financial statements are required to be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements in accordance with GAAP.

Cause

The City's year-end procedures did not identify certain necessary adjustments in a timely manner in order to remove capital outlay expenditures that were incorrectly recorded during the fiscal year ended September 30, 2023.

Effect or Potential Effect

Adjusting journal entries were proposed as certain accounts were misstated on the unadjusted financial statements.

Context

During testing of subsequent disbursements and the potential for unrecorded liabilities, it was noted there were nine invoices recorded within accounts payable as capital outlay expenditures which were improperly recorded in the fiscal year ended September 30, 2023. As evidenced by the invoice date and ship date within the invoices, the equipment was not shipped, and the equipment was not received by the City, until after year-end. The expenditures should be recorded in the fiscal year ended September 30, 2024.

Repeat Finding

This is a variation of a prior year finding from 2022. See summary schedule of prior audit findings.

Recommendation

Management should ensure year-end closing procedures are completed in a timely manner and are sufficient to assure accounts and financial statements are prepared in accordance with GAAP. Management should assess the risk associated with this condition and identify any additional processes that can be incorporated into their existing controls to improve the deficiency; such as, minimizing the likelihood of year-end material audit adjustments through review of transactions and balances for general propriety and accuracy within one month after year-end. Follow-up and inquiries can be made timely for any transactions for which proper recording is unclear to management, if any.

Views of Responsible Officials and Planned Corrective Actions

The Deputy Finance Director and the Finance Department identified the transactions as potentially being incorrectly recorded; however, it was not identified timely and/or officially addressed. The Deputy Finance Director and Finance Department were working diligently to review the accounting and handle various tasks, but were not able to timely address the issue with the specific transactions mentioned above. During June 2023, the City hired a Finance Director, which was expected to allow the Deputy Finance Director and staff to improve year-end closing procedures and provide additional support to the Finance Department to ensure controls in place over financial reporting are sufficient. Management expects this finding to be fully corrected for fiscal year ended September 30, 2024.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

PART III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

Finding 2023-02

Significant Deficiency: Audit Journal Entries – Timing of Expenditures Recorded in General Ledger (Cutoff)

Federal Agency: U.S. Department of Treasury
ALN and Title: 21.027 – ARPA Coronavirus State and Local Fiscal Recovery Funds Program
Contract/Grant No.: Y5303
Pass-through: Florida Division of Emergency Management

Criteria or Specific Requirement

2 CFR 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. One of the objectives of internal control over compliance as found in 2 CFR section 200.1 include that transactions should be properly recorded and accounted for in order to permit the preparation of reliable financial statements and federal reports.

Condition

This deficiency is related to the financial statements finding 2023-01, as listed in Part II above. The City's financial statements required material audit adjusting journal entries for the financial statements to be presented in accordance with generally accepted accounting principles (GAAP). The financial statements are required to be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements in accordance with GAAP. A portion of the adjustments were related to expenditures which were paid by and applied to funding provided by the ARPA Coronavirus State and Local Fiscal Recovery Funds Program. The issue pertained to the financial statement assertion of cutoff; the expenditures were allowable expenditures in accordance with the federal award requirements.

Cause

The City's year-end procedures did not identify certain necessary adjustments in a timely manner in order to remove capital outlay expenditures that were incorrectly recorded during the fiscal year ended September 30, 2023.

Effect or Potential Effect

Adjusting journal entries were proposed as certain accounts were misstated on the unadjusted financial statements, resulting in expenditures being incorrectly included in the unadjusted schedule of expenditures of federal awards.

Questioned Costs

None.

Context

During testing of subsequent disbursements and the potential for unrecorded liabilities and during internal control and compliance testing of the major Federal program, it was noted there were two invoices, amounting to a total of \$415,821, recorded within accounts payable as capital outlay expenditures which were improperly recorded in the fiscal year ended September 30, 2023. As evidenced by the invoice date and ship date within the invoices, the equipment was not shipped, and the equipment was not received by the City, until after year-end. The expenditures should be recorded in the fiscal year ended September 30, 2024.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

PART III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS – (continued)

Repeat Finding

This is a variation of a prior year finding from 2022. See summary schedule of prior audit findings.

Recommendation

Management should ensure year-end closing procedures are completed in a timely manner and are sufficient to assure accounts and financial statements are prepared in accordance with GAAP. Management should assess the risk associated with this condition and identify any additional processes that can be incorporated into their existing controls to improve the deficiency; such as, minimizing the likelihood of year-end material audit adjustments through review of transactions and balances for general propriety and accuracy within one month after year-end. Follow-up and inquiries can be made timely for any transactions for which proper recording is unclear to management, if any. The Grants Administrator should maintain an up-to-date listing of expenditures by award (for all federal, state, and local awards) and should communicate with the Finance Department on a monthly basis to review the listing and determine the proper period in which the expenditures should be recorded and presented.

Views of Responsible Officials and Planned Corrective Actions

The Deputy Finance Director and the Finance Department identified the transactions as potentially being incorrectly recorded; however, it was not identified timely and/or officially addressed, and was not detected by the Grants Administrator as being recorded in the incorrect period. The Deputy Finance Director and Finance Department were working diligently to review the accounting and handle various tasks, but were not able to timely address the issue with the specific transactions mentioned above. During June 2023, the City hired a Finance Director which was expected to allow the Deputy Finance Director and staff to improve year-end closing procedures and provide additional support to the Finance Department to ensure controls in place over financial reporting are sufficient. The Grants Administrator will be more involved in communicating with the Finance Department, at a minimum on a monthly basis, as related to reporting of expenditures that are being funded by federal, state, and local awards. Management expects this finding to be fully corrected for fiscal year ended September 30, 2024.

Finding 2023-03

Compliance Requirement:	Reporting
Federal Agency:	U.S. Department of Treasury
CFDA and Title:	21.027 – ARPA Coronavirus State and Local Fiscal Recovery Funds Program
Contract/Grant No.:	Y5303
Pass-through:	Florida Division of Emergency Management

Criteria or Specific Requirement

2 CFR 200.328 and 31 CFR section 35.4(c) requires submission of quarterly and annual project and expenditure reports which are due to the Department of Treasury 30 days after the end of each quarter and April 30th, of the year proceeding, respectively. The project and expenditure report contains specific instructions on how to complete the report. Within the project and expenditure report, ‘Expenditure Categories’ is a critical component to be completed by reporting “obligations” and “expenditures” on each project. As defined in the report, “obligation” is an order placed (such as a contract) and similar transactions that require payment; “expenditure” is when the service has been rendered or the good has been delivered to the entity, and payment is due.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

PART III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS – (continued)

Condition

Upon review and testing of the quarterly reports as submitted to the Department of Treasury, it was noted that amounts reported as expenditures for certain projects included amounts that were obligated but not yet incurred (service was not yet rendered or the good was not yet received) until a subsequent quarter. The expenditures as reported were allowable expenditures, but the timing of the expenditures was reported in the incorrect period.

In addition, upon testing the expenditures as reported in the unadjusted schedule of expenditures of federal awards (the “schedule”), it was noted that \$415,821 was improperly included as expenditures belonging to the fiscal year ended September 30, 2023. The expenditures identified were prematurely recorded in the general ledger since the equipment was not received until after year-end. The City’s schedule of expenditures of federal awards for the fiscal year ended September 30, 2023 required a correction to remove those amounts from the schedule and to add those amounts to the subsequent fiscal year’s schedule.

Cause

The Grants Administrator’s lack of understanding of the proper manner in which the obligations and expenditures are required to be reported in the quarterly reports resulted in expenditure amounts being reported in the incorrect quarters.

The City’s year-end procedures did not identify certain necessary adjustments in a timely manner in order to remove capital outlay expenditures that were incorrectly recorded during the fiscal year ended September 30, 2023 and were incorrectly included in the unadjusted schedule of expenditures of federal awards. The Grants Administrator utilized the amounts recorded as expenditures in the accounting system to prepare the quarterly reports. Expenditures should be recorded in the City’s general ledger utilizing the date services are rendered and/or goods are received. Proper monthly review of the expenditure accounts should have led to identifying expenditures that were recorded but not yet incurred.

Effect or Potential Effect

The two conditions listed above resulted in differences between expenditure amounts as correctly adjusted and reported in the schedule of expenditures of federal awards, versus expenditure amounts as reported and submitted to the Department of Treasury in the quarterly reports. Future reports may be incorrectly completed if obligation amounts and expenditure amounts are not following the criteria to properly enter amounts in the quarterly reports.

Questioned Costs

None.

Context

During compliance testing of the reporting compliance requirement, it was noted that the total expenditures included in the schedule of expenditures of federal awards for the fiscal year ended September 30, 2023 did not agree to the total expenditures reported in the quarterly expenditure reports as submitted to the Department of Treasury for the same period.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

PART III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS – (continued)

During testing of disbursements as included in the schedule of expenditures of federal awards for the major Federal program, and during internal control and compliance testing, it was noted there were two disbursements, amounting to a total of \$415,821, recorded within accounts payable as capital outlay expenditures which were improperly recorded in the fiscal year ended September 30, 2023 and improperly included in the schedule of expenditures of federal awards. As evidenced by the invoice date and ship date within the invoices, the equipment was not shipped, and the equipment was not received by the City, until after year-end. The expenditures should be recorded and reported in the fiscal year ended September 30, 2023. Adjustments were made accordingly for proper recording, reporting, and presentation in the financial statements and schedule of expenditures of federal awards.

Repeat Finding

This is a variation of a prior year finding from 2022. See summary schedule of prior audit findings.

Recommendation

Management should ensure year-end closing procedures are completed in a timely manner and are sufficient to assure accounts and financial statements are prepared in accordance with GAAP. If properly prepared and recorded, the subledgers for expenditures by federal awards will be generated with accurate expenditure amounts for the fiscal year. Management should assess the risk associated with this condition and identify any additional processes that can be incorporated into their existing controls to improve the deficiency; such as, minimizing the likelihood of year-end material audit adjustments through review of transactions and balances for general propriety and accuracy within one month after year-end. Follow-up and inquiries can be made timely for any transactions for which proper recording is unclear to management, if any. The Grants Administrator should maintain an up-to-date listing of expenditures by award (for all federal, state, and local awards) and should communicate with the Finance Department on a monthly basis to review the listing and determine the proper period in which the expenditures should be recorded and presented.

The Grants Administrator and Finance Department should prepare a reconciliation of the expenditures as reported in the schedule of expenditures of federal awards for the major Federal program for the fiscal year ended September 30, 2023, as well as expenditures incurred from October 1, 2023 through today, and compare to the expenditures as reported in all quarterly reports through September 30, 2023 and September 30, 2024. An analysis should be completed to determine the differences between the expenditures incurred by quarter versus expenditures as reported by quarter, and to determine the differences in total between expenditures incurred and expenditures reported in the quarterly and annual project and expenditure reports. The Grants Administrator should then review the Department of Treasury's Project and Expenditure Report User Guide of State and Local Fiscal Recovery Funds, and/or contact the grantor, to determine if reports as previously submitted should be corrected for the timing difference, or to determine what the correct course of action should be.

Views of Responsible Officials and Planned Corrective Actions

The Grants Administrator and the Finance Department will work closely to compare all expenditures incurred by quarter to the expenditures as reported to the grantor in the quarterly reports. The Grants Administrator and Finance Department have been working to make any corrections as needed for reporting purposes and to address the timing and presentation issues of expenditures as incurred versus as reported. Going forward, the Grants Administrator will be more involved in communicating with the Finance Department, at a minimum on a monthly basis, as related to the reporting of expenditures that are being funded by federal, state, and local awards.

CITY OF SWEETWATER, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

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

<u>Finding Number</u>	<u>Finding Title</u>	<u>Current Year Status</u>	<u>Current Year Finding Number</u>
2022-01	Audit Journal Entries	Not Corrected	2023-01

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

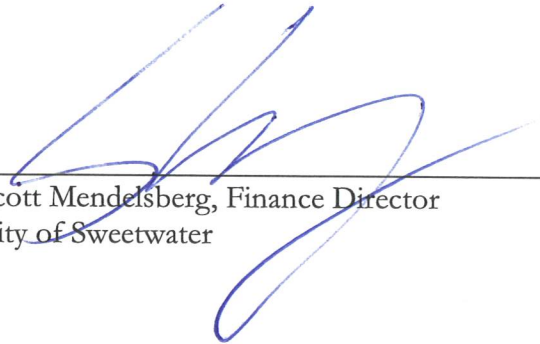
<u>Finding Number</u>	<u>Finding Title and ALN</u>	<u>Current Year Status</u>	<u>Current Year Finding Number</u>
2022-02	Audit Journal Entries - Timing of Expenditures Recorded in General Ledger (Cutoff) - ALN 21.027	Not Corrected	2023-02
2022-03	Reporting - ALN 21.027	Not Corrected	2023-03

IMPACT FEE AFFIDAVIT

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

1. I am the Finance Director of the City of Sweetwater which is a local governmental entity of the State of Florida.
2. The governing body of the City of Sweetwater adopted Ordinance No. 3588, 4184, and 4960 implementing and amending impact fees.
3. The City of Sweetwater has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

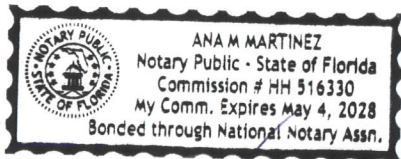
FURTHER AFFIANT SAYETH NAUGHT.

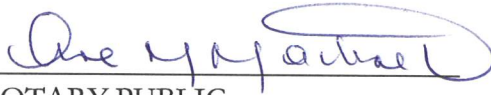


 Scott Mendelsberg, Finance Director
 City of Sweetwater

STATE OF FLORIDA
COUNTY OF Miami-Dade

SWORN TO AND SUBSCRIBED before me this 10th day of January, 2025.





 NOTARY PUBLIC
 Print Name Ana M Martinez

Personally known _____ or produced identification _____

Type of identification produced: _____

My Commission Expires:

May 4, 2028.