

**CITY OF SEBRING, FLORIDA
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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information for pension plans and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Honorable Mayor and City Council
City of Sebring, Florida

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
July 15, 2022

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2021, the City of Sebring's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$59,495,990 (total net position). Of this amount, \$46,390,451 represents the City's net investment in capital assets, \$4,732,238 is restricted by laws or capital projects and the remaining \$8,373,301 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$3,859,688 from its current year activity. Governmental activities increased \$1,974,748 and Business-type activities increased \$1,884,940.
- The City's total assets increased \$2,720,697 (3.48%) during the current fiscal year, due to increases in receivables and cash and cash equivalents.
- The City's total liabilities decreased \$8,772,117 (30.09%) during the current fiscal year. The governmental activities total liabilities decreased \$5,321,143. The decrease was primarily a net result of a decrease in net pension liability of \$6,665,465 based on actuarial valuations, and an increase in unearned revenues of \$1,435,659, due to receipt of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). Business-type activities total liabilities decreased \$3,450,974, primarily a net result of a \$2,061,766 decrease attributed to debt service payments, a decrease in net pension liabilities of \$1,733,117 based on actuarial valuations, and an increase in unearned revenues of \$141,326 due to an increase in tap fees for new water and sewer service connections.
- The City's governmental activities reported a total net position of \$20,336,487, which is an increase of \$1,974,748, or 10.75%, in comparison to the prior year. Approximately 4.8% of the total, or \$975,177 is unrestricted and available for spending at the City's discretion.
- The City's business-type activities reported a total net position of \$39,159,503 which is an increase of \$1,884,940, or 5.06%, in comparison to the prior year. Approximately 18.89% of the total, or \$7,398,124 is unrestricted and available for spending at the City's discretion.
- As of September 30, 2021, the City's governmental funds reported combined ending fund balances of \$11,698,014, an increase of \$491,990 (4.39%) from the prior year. The General Fund reported Fund Balance of \$7,520,341, of which \$4,022 was nonspendable due to prepaid items, \$50,463 was restricted for law enforcement purposes, \$1,056,009 was assigned for cemetery care, and \$568,801 was assigned to support the subsequent year's budget. The remaining \$5,841,046 in unassigned fund balance was available for spending at the City's discretion.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Fund Financial Statements

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

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

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

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

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

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

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

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

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

As noted earlier, net position may serve overtime as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$59,495,990.

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

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

**Statement of Net Position (Summary)
September 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 15,857,576	\$ 13,854,012	\$ 13,058,256	\$ 12,564,473	\$ 28,915,832	\$ 26,418,485
Capital Assets, Net	14,849,374	14,491,973	37,084,253	37,218,304	51,933,627	51,710,277
Total Assets	<u>30,706,950</u>	<u>28,345,985</u>	<u>50,142,509</u>	<u>49,782,777</u>	<u>80,849,459</u>	<u>78,128,762</u>
Deferred Outflows of Resources	3,746,049	5,402,166	958,882	1,409,615	4,704,931	6,811,781
Long-Term Liabilities	7,265,917	13,912,964	7,357,165	11,075,359	14,623,082	24,988,323
Current and Other Liabilities	2,709,607	1,383,703	3,049,842	2,782,622	5,759,449	4,166,325
Total Liabilities	<u>9,975,524</u>	<u>15,296,667</u>	<u>10,407,007</u>	<u>13,857,981</u>	<u>20,382,531</u>	<u>29,154,648</u>
Deferred Inflows of Resources	<u>4,140,988</u>	<u>89,745</u>	<u>1,534,881</u>	<u>59,848</u>	<u>5,675,869</u>	<u>149,593</u>
Net Position:						
Net Investment in Capital Assets	14,704,947	14,189,298	31,685,504	29,928,923	46,390,451	44,118,221
Restricted	4,656,363	3,923,225	75,875	75,128	4,732,238	3,998,353
Unrestricted	975,177	249,216	7,398,124	7,270,512	8,373,301	7,519,728
Total Net Position	<u>\$ 20,336,487</u>	<u>\$ 18,361,739</u>	<u>\$ 39,159,503</u>	<u>\$ 37,274,563</u>	<u>\$ 59,495,990</u>	<u>\$ 55,636,302</u>

By far the largest portion of the City's net position, \$46,390,451 (77.97%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate and pay for these liabilities.

An additional portion of the City's net position in the amount of \$4,732,238 (7.95%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,373,301 (14.08%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2021, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Current and other assets increased by \$2,497,347, which was due primarily from an increase in cash and cash equivalents of \$1,988,325, increase in receivables of \$147,279, and an increase in due from other governments of \$327,618.

Overall, total net position increased \$3,859,688 and net investment in capital assets increased \$2,272,230, restricted for law enforcement, debt service reserve and infrastructure increased \$733,885 and unrestricted increased \$853,573.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Statement of Activities

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

**Changes in Net Position (Summary)
Years Ended September 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,454,199	\$ 1,301,008	\$ 13,358,099	\$ 12,818,564	\$ 14,812,298	\$ 14,119,572
Operating Grants and Contributions	167,754	186,978	-	3	167,754	186,981
Capital Grants and Contributions	753,035	455,585	408,725	335,818	1,161,760	791,403
General Revenues:						
Property Taxes	3,296,500	3,158,822	-	-	3,296,500	3,158,822
Other Taxes	3,830,481	3,435,274	-	-	3,830,481	3,435,274
Other	2,294,018	2,140,724	92,653	213,697	2,386,671	2,354,421
Total Revenues	11,795,987	10,678,391	13,859,477	13,368,082	25,655,464	24,046,473
Expenses:						
General Government	1,042,159	1,484,986	-	-	1,042,159	1,484,986
Public Safety	7,311,971	9,365,078	-	-	7,311,971	9,365,078
Physical Environment	105,934	128,046	-	-	105,934	128,046
Transportation	1,435,450	1,844,257	-	-	1,435,450	1,844,257
Economic Environment	320,176	338,165	-	-	320,176	338,165
Culture and Recreation	725,425	663,149	-	-	725,425	663,149
Water	-	-	4,538,347	4,506,667	4,538,347	4,506,667
Wastewater	-	-	3,405,496	3,396,948	3,405,496	3,396,948
Solid Waste	-	-	1,989,386	1,913,002	1,989,386	1,913,002
Golf Course	-	-	921,432	973,668	921,432	973,668
Total Expenses	10,941,115	13,823,681	10,854,661	10,790,285	21,795,776	24,613,966
Change in Net Position Before Transfers	854,872	(3,145,290)	3,004,816	2,577,797	3,859,688	(567,493)
Transfers	1,119,876	560,817	(1,119,876)	(560,817)	-	-
Change in Net Position after Transfers	1,974,748	(2,584,473)	1,884,940	2,016,980	3,859,688	(567,493)
Net Position – Beginning	18,361,739	20,761,853	37,274,563	35,257,583	55,636,302	56,019,436
Prior Period Adjustment	-	184,359	-	-	-	184,359
Net Position – Ending	\$ 20,336,487	\$ 18,361,739	\$ 39,159,503	\$ 37,274,563	\$ 59,495,990	\$ 55,636,302

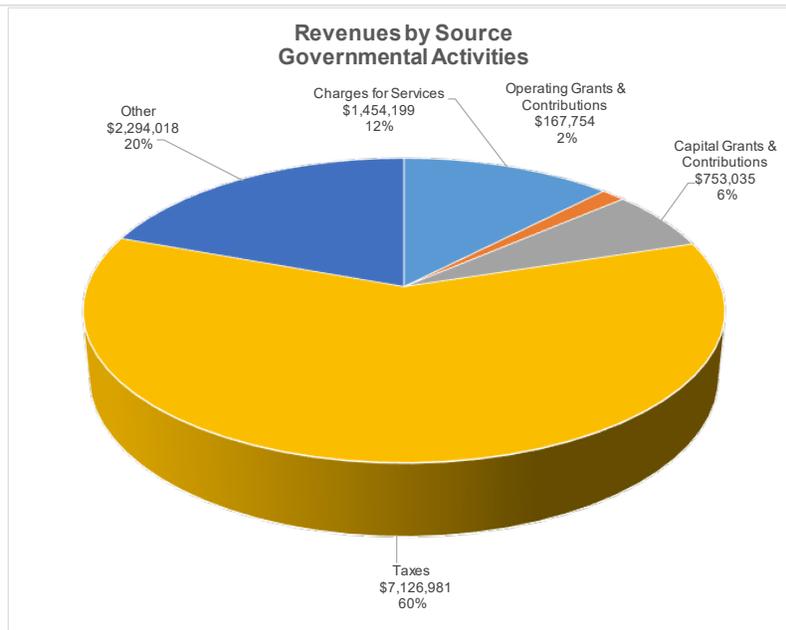
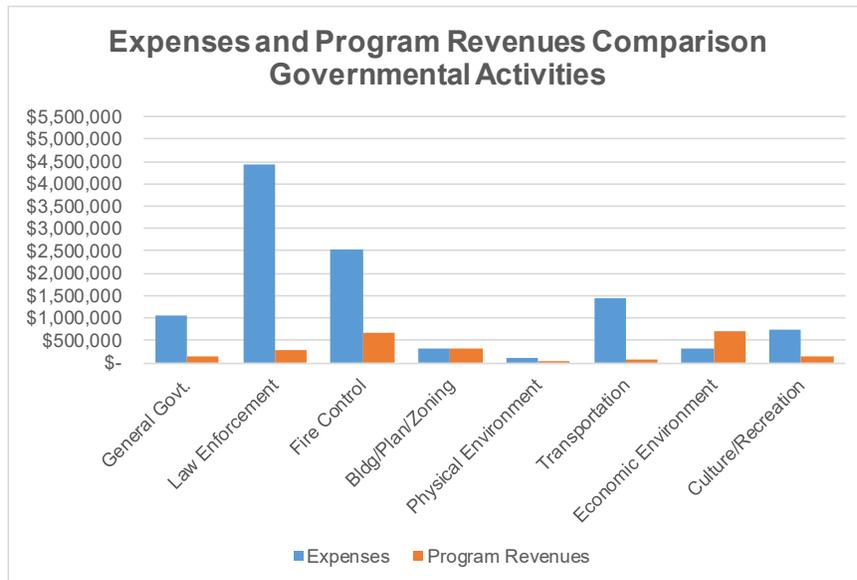
**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Governmental Activities

Total program revenues increased \$431,417 from the prior year for a total of \$2,374,988. The most significant revenue in program services is from charges for services of \$1,454,199, then capital grants and contributions of \$753,035 and operating grants and contributions of \$167,754. Charges for services include \$127,533 in general government and \$1,218,295 in public safety charges. Capital grants and contributions increased \$297,450 to \$753,035 from \$455,585 primarily due to infrastructure projects.

Governmental activities expenses decreased \$2,882,566 from prior year for a total of \$10,941,115. The most significant governmental activity expense is public safety which includes law enforcement \$4,438,970, fire control \$2,538,653, and building, zoning and planning \$334,348.

Overall, governmental activities increased the City's net position by \$1,974,748.



**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Business-Type Activities

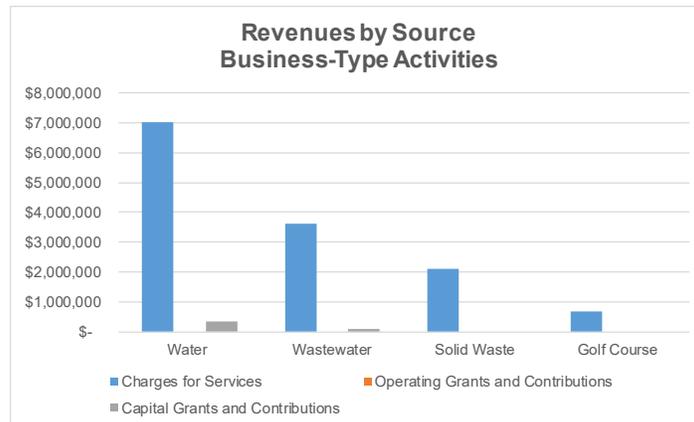
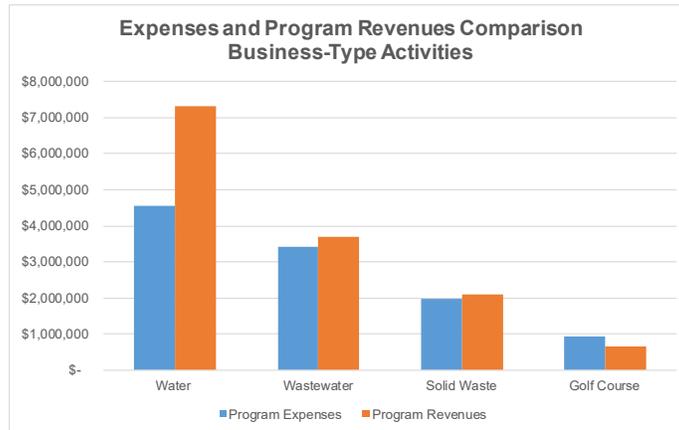
Total program revenues of the City's business-type activities were \$13,766,824, an increase of \$512,439 or 4.7% from the prior year. The increase is primarily due to an increase in the number of customers serviced by the City and rate increases. Total expenses were \$10,854,661, an increase of \$64,376 or 0.6% from the prior year.

The Water and Wastewater Fund reflected an operating income of \$3,020,174, which was an increase from the prior year of \$516,088. After including nonoperating revenues and expenses and transfers in/out, the change in net position was \$2,147,491.

The Solid Waste Fund reflected an operating income of \$131,715 which was an increase from the prior year of \$84,868. After including non-operating items, the solid waste operation reflected a total decrease in net position of \$110,724.

The Golf Course Fund reflected an operating loss of \$244,515, which was a decrease from the prior year of \$86,919. After including other non-operating items and transfers in, the golf course operation reflected a total decrease in net position of \$63,627.

Overall, business-type activities increased the City's net position by \$1,884,940, which was a decrease of \$132,040 when compared to the prior year.



**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of September 30, 2021, the City's governmental funds reported combined ending fund balances of \$11,698,014, an increase of \$491,990 in comparison with the prior year. Approximately 47% of this total amount, \$5,480,763, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$6,217,251, is nonspendable, restricted, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At September 30, 2021, the unassigned fund balance of the General Fund was \$5,841,046, while the total fund balance was \$7,520,341. 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 54.3% of total General Fund expenditures, while total fund balance represents 70% of that same amount.

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

The total enterprise fund's net investment in capital assets increased \$1,756,581. This increase was primarily from the City's investment in water and sewer line connections, extensions and improvements, and wastewater lift station improvements.

The total enterprise fund's unrestricted net position increased \$215,812, and the change in net position increased \$1,973,140, a decrease of \$132,040 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The change between the original and final budgetary appropriations for expenditures amounted to an increase of \$1,392,264. The change was primarily due to appropriating funds for building demolitions, police vehicle purchases, new police officer positions and equipment due to annexation, pay plan adjustments, and building improvements.

Revenue budget to actual in the General Fund resulted in a \$653,985 positive variance, primarily due to a conservative approach for budgeting tax revenues.

Budget to actual expenditures show a \$1,806,316 positive variance (actual less than budget). This decrease was uniform through all departments, and reflects the continuation of a cost containment effort throughout the City.

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021 amounts to \$51,933,627 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment, water system and sewer system.

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

- Waterline Extensions
- Sewer Line Improvements and Extensions
- Vehicles - Police and Utilities
- Fire Station Addition
- Restroom Renovations at Park
- Parking Lot, Seawall and Dock Improvements
- Garbage trucks
- Solid Waste Building Addition
- Paving, Curbing and Storm-water Projects
- Lift Station Improvements
- Manhole restoration

**City of Sebring's Capital Assets
(Net of Depreciation)
September 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,842,082	\$ 1,842,082	\$ 577,877	\$ 577,877	\$ 2,419,959	\$ 2,419,959
Buildings	2,829,066	2,765,436	1,205,846	1,199,705	4,034,912	3,965,141
Improvements Other than Building	1,020,107	694,327	-	-	1,020,107	694,327
Infrastructure	6,742,427	6,922,396	-	-	6,742,427	6,922,396
Equipment	1,414,036	1,767,860	2,602,284	2,590,623	4,016,320	4,358,483
Golf Course Improvements	-	-	288,838	331,036	288,838	331,036
Water System	-	-	18,201,073	19,227,187	18,201,073	19,227,187
Wastewater System	-	-	12,244,748	13,035,395	12,244,748	13,035,395
Construction in Progress	1,001,656	499,872	1,963,587	256,481	2,965,243	756,353
Total Capital Assets	\$ 14,849,374	\$ 14,491,973	\$ 37,084,253	\$ 37,218,304	\$ 51,933,627	\$ 51,710,277

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

**CITY OF SEBRING, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Long-Term Liabilities: At the end of the current fiscal year, the City had total long-term liabilities of \$5,376,122, which represents a decrease of \$1,894,015 compared to the prior year. This decrease is primarily due to City principal debt service payments on loans payable.

**City of Sebring's Long-Term Liabilities
Years Ended September 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Direct Borrowings	\$ 59,863	\$ -	\$ 694,555	\$ 816,180	\$ 754,418	\$ 816,180
Capital Lease Obligations	-	-	353,019	116,512	353,019	116,512
Direct Placements	-	-	4,268,685	6,337,445	4,268,685	6,337,445
Total	<u>\$ 59,863</u>	<u>\$ -</u>	<u>\$ 5,316,259</u>	<u>\$ 7,270,137</u>	<u>\$ 5,376,122</u>	<u>\$ 7,270,137</u>

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

Next Year's Budgets

In the 2022 fiscal year, the City has budgeted a transfer in for the General Fund of \$850,000 from the Water and Wastewater Fund. This transfers allows the City's General Fund to share in the profits of its Water and Wastewater Fund. In addition, the City's General Fund has budgeted a transfer out of \$196,835 to the Golf Course Fund for the purpose of providing needed working capital for operations that are not covered by budgeted revenues.

Requests for Information

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

CITY OF SEBRING, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 14,675,214	\$ 9,131,138	\$ 23,806,352	\$ 1,710,073
Receivables, Net	435,937	826,624	1,262,561	-
Internal Balances	(172,180)	172,180	-	-
Due from Other Governments	914,583	197	914,780	-
Inventory	-	329,874	329,874	-
Prepaid Items	4,022	3,157	7,179	-
Assets Available for Sale	-	-	-	1,453,084
Intangible Asset	-	315,372	315,372	-
Restricted Asset - Cash and Cash Equivalents	-	2,279,714	2,279,714	-
Capital Assets:				
Nondepreciable	2,843,738	2,541,464	5,385,202	-
Depreciable, Net	12,005,636	34,542,789	46,548,425	-
Total Assets	<u>30,706,950</u>	<u>50,142,509</u>	<u>80,849,459</u>	<u>3,163,157</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	3,548,639	779,128	4,327,767	-
Deferred Outflows Related to OPEB	197,410	126,058	323,468	-
Deferred Amount on Refunding	-	53,696	53,696	-
Total Deferred Outflows of Resources	<u>3,746,049</u>	<u>958,882</u>	<u>4,704,931</u>	<u>-</u>
LIABILITIES				
Accounts Payable	994,657	569,957	1,564,614	27,035
Accrued Expenses	78,779	37,059	115,838	2,313
Unearned Revenues	1,636,171	209,756	1,845,927	-
Current Liabilities Payable from Restricted Assets:				
Accrued Interest Payable	-	29,231	29,231	-
Customer Deposits	-	2,203,839	2,203,839	-
Noncurrent Liabilities:				
Net Pension Liability	5,993,491	1,171,935	7,165,426	-
Other Postemployment Benefits	909,371	291,051	1,200,422	-
Due Within One Year	323,096	2,534,367	2,857,463	461,455
Due in More Than One Year	39,959	3,359,812	3,399,771	930,000
Total Liabilities	<u>9,975,524</u>	<u>10,407,007</u>	<u>20,382,531</u>	<u>1,420,803</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	4,140,988	1,534,881	5,675,869	-
NET POSITION				
Net Investment in Capital Assets	14,704,947	31,685,504	46,390,451	-
Restricted for:				
Law Enforcement	50,463	-	50,463	-
Debt Service Reserve	-	75,875	75,875	-
Infrastructure	4,605,900	-	4,605,900	-
Community Redevelopment	-	-	-	1,742,354
Unrestricted	975,177	7,398,124	8,373,301	-
Total Net Position	<u>\$ 20,336,487</u>	<u>\$ 39,159,503</u>	<u>\$ 59,495,990</u>	<u>\$ 1,742,354</u>

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Community Redevelopment Agency
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities								
General Government	\$ 1,042,159	\$ 127,533	\$ 16,451	\$ -	\$ (898,175)	\$ -	\$ (898,175)	\$ -
Public Safety:								
Law Enforcement	4,438,970	242,772	29,888	8,647	(4,157,663)	-	(4,157,663)	-
Fire Control	2,538,653	651,504	10,803	-	(1,876,346)	-	(1,876,346)	-
Building, Zoning, and Planning	334,348	324,019	-	-	(10,329)	-	(10,329)	-
Physical Environment	105,934	37,479	-	-	(68,455)	-	(68,455)	-
Transportation	1,435,450	49,717	-	31,031	(1,354,702)	-	(1,354,702)	-
Economic Environment	320,176	-	-	713,235	393,059	-	393,059	-
Culture/Recreation	725,425	21,175	110,612	122	(593,516)	-	(593,516)	-
Total Governmental Activities	<u>10,941,115</u>	<u>1,454,199</u>	<u>167,754</u>	<u>753,035</u>	<u>(8,566,127)</u>	<u>-</u>	<u>(8,566,127)</u>	<u>-</u>
Business-Type Activities								
Water	4,538,347	6,997,840	-	330,015	-	2,789,508	2,789,508	-
Wastewater	3,405,496	3,609,215	-	78,710	-	282,429	282,429	-
Solid Waste	1,989,386	2,088,306	-	-	-	98,920	98,920	-
Golf Course	921,432	662,738	-	-	-	(258,694)	(258,694)	-
Total Business-Type Activities	<u>10,854,661</u>	<u>13,358,099</u>	<u>-</u>	<u>408,725</u>	<u>-</u>	<u>2,912,163</u>	<u>2,912,163</u>	<u>-</u>
Total Primary Government	<u>\$ 21,795,776</u>	<u>\$ 14,812,298</u>	<u>\$ 167,754</u>	<u>\$ 1,161,760</u>	<u>(8,566,127)</u>	<u>2,912,163</u>	<u>(5,653,964)</u>	<u>-</u>
Component Unit								
Community Redevelopment Agency	<u>\$ 750,983</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>				<u>(725,983)</u>
General Revenues								
Taxes:								
Ad-valorem taxes					3,296,500	-	3,296,500	-
Tax Increment from City/County					-	-	-	801,647
Fuel Taxes					439,309	-	439,309	-
Infrastructure Surtax					1,367,499	-	1,367,499	-
Utility and Communication Services					1,981,777	-	1,981,777	-
Other Taxes					41,896	-	41,896	-
Franchise Fees					1,048,086	-	1,048,086	-
Intergovernmental - Unrestricted					1,168,804	-	1,168,804	-
Investment Earnings					19,796	13,967	33,763	(10,965)
Miscellaneous					53,232	62,312	115,544	389
Gain on Sale of Capital Assets					4,100	16,374	20,474	-
Total General Revenues					<u>9,420,999</u>	<u>92,653</u>	<u>9,513,652</u>	<u>791,071</u>
Transfers					<u>1,119,876</u>	<u>(1,119,876)</u>	<u>-</u>	<u>-</u>
Change in Net Position					<u>1,974,748</u>	<u>1,884,940</u>	<u>3,859,688</u>	<u>65,088</u>
Net Position - Beginning					<u>18,361,739</u>	<u>37,274,563</u>	<u>55,636,302</u>	<u>1,677,266</u>
Net Position - Ending					<u>\$ 20,336,487</u>	<u>\$ 39,159,503</u>	<u>\$ 59,495,990</u>	<u>\$ 1,742,354</u>

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General Fund	Infrastructure Fund	Nonmajor (CDBG)	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 8,865,703	\$ 4,362,270	\$ -	\$ 13,227,973
Receivables, Net	281,072	-	-	281,072
Due from Other Funds	289,718	-	-	289,718
Due from Other Governments	301,904	252,397	360,282	914,583
Prepaid Items	4,022	-	-	4,022
	\$ 9,742,419	\$ 4,614,667	\$ 360,282	\$ 14,717,368
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 454,324	\$ 76,711	\$ 70,565	\$ 601,600
Accrued Expenditures	78,779	-	-	78,779
Due to Other Funds	19,748	-	289,718	309,466
Unearned Revenues	1,634,219	-	-	1,634,219
Total Liabilities	2,187,070	76,711	360,283	2,624,064
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	35,008	-	360,282	395,290
 FUND BALANCES (DEFICIT)				
Nonspendable:				
Prepaid Items	4,022	-	-	4,022
Restricted:				
Law Enforcement	50,463	-	-	50,463
Infrastructure	-	4,537,956	-	4,537,956
Assigned:				
Cemetery Care	1,056,009	-	-	1,056,009
Subsequent Years Budget	568,801	-	-	568,801
Unassigned (Deficit)	5,841,046	-	(360,283)	5,480,763
Total Fund Balances (Deficit)	7,520,341	4,537,956	(360,283)	11,698,014
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 9,742,419	\$ 4,614,667	\$ 360,282	\$ 14,717,368

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total Fund Balance – Governmental Funds	\$ 11,698,014
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and therefore are not reported in the funds:	
Deferred Outflows Related to Pensions	3,548,639
Deferred Outflows Related to OPEB	197,410
Deferred Inflows Related to Pensions	(4,140,988)
The assets and liabilities of the internal service funds, used by management to charge the costs of certain activities to individual funds, are included in governmental activities in the statement of net position.	
	1,054,665
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital Assets, Nondepreciable	2,843,738
Capital Assets, Depreciable - Net	12,005,636
Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	
	395,290
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net Pension Liability	(5,993,491)
Total OPEB Liability	(909,371)
Compensated Absences	(303,192)
Direct Borrowing	(59,863)
	20,336,487
Net Position of Governmental Activities	\$ 20,336,487

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Infrastructure Fund	Nonmajor (CDBG)	Total Governmental Funds
REVENUES				
Taxes	\$ 5,755,593	\$ 1,367,499	\$ -	\$ 7,123,092
Permits, Fees, and Special Assessments	1,987,721	-	-	1,987,721
Intergovernmental	1,399,921	-	357,267	1,757,188
Charges for Services	292,656	-	-	292,656
Fines and Forfeitures	94,341	-	-	94,341
Investment Earnings	11,227	5,780	-	17,007
Miscellaneous	110,171	-	-	110,171
Total Revenues	<u>9,651,630</u>	<u>1,373,279</u>	<u>357,267</u>	<u>11,382,176</u>
EXPENDITURES				
Current:				
General Government	838,302	-	-	838,302
Public Safety				
Law Enforcement	4,316,505	-	-	4,316,505
Fire Control	2,983,967	-	-	2,983,967
Building, Zoning, and Planning	327,199	-	-	327,199
Physical Environment	17,224	-	-	17,224
Transportation	1,058,951	35,643	-	1,094,594
Economic Environment	307,424	-	19,500	326,924
Culture and Recreation	611,777	-	-	611,777
Capital Outlay	286,146	598,638	693,736	1,578,520
Debt Service:				
Interest	285	-	-	285
Total Expenditures	<u>10,747,780</u>	<u>634,281</u>	<u>713,236</u>	<u>12,095,297</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,096,150)	738,998	(355,969)	(713,121)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	59,863	-	59,863
Sale of City Property	4,100	-	-	4,100
Transfers In	1,321,272	-	-	1,321,272
Transfers Out	(180,124)	-	-	(180,124)
Total Other Financing Sources (Uses)	<u>1,145,248</u>	<u>59,863</u>	<u>-</u>	<u>1,205,111</u>
CHANGE IN FUND BALANCES (DEFICIT)	49,098	798,861	(355,969)	491,990
Fund Balance – Beginning of Year	<u>7,471,243</u>	<u>3,739,095</u>	<u>(4,314)</u>	<u>11,206,024</u>
FUND BALANCES (DEFICIT) – END OF YEAR	<u>\$ 7,520,341</u>	<u>\$ 4,537,956</u>	<u>\$ (360,283)</u>	<u>\$ 11,698,014</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balance – Governmental Funds	\$ 491,990
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Revenues that will not be collected within sixty days after the City's fiscal year-end are not considered "available" revenues, and are not recognized in the governmental funds:</p>	
Deferred Inflows Recognized in Prior Years in the Statement of Activities	(16,163)
Deferred Inflows Recognized in the Current Year in the Statement of Activities	395,290
<p>Internal service funds are used by management to charge the costs of insurance to individual funds. The net cost of certain activities of internal service funds is reported with governmental activities.</p>	
	(193,457)
<p>Capital assets donated into governmental activities do not provide a current financial resource and are not recognized as revenue in the governmental funds. However, these amounts are reported as a revenue on the statement of activities:</p>	
Capital Asset Improvements Paid by Component Unit	27,795
<p>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.</p>	
Expenditures for Capital Assets that were Capitalized	1,525,833
Remaining Net Book Value of Capital Assets on Disposition	16,879
Depreciation Expense	(1,214,257)
<p>Changes in net pension liability and the related deferred inflows and deferred outflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
	999,970
<p>Transfers of capital assets from business-type activities decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>	
	1,151
<p>Changes in the OPEB liability and the related deferred inflows and deferred outflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
	(13,688)
<p>Certain transactions reported in the statement of activities do not require the use of current financial resources. Therefore, the following are not recognized in governmental funds.</p>	
Net Decrease in Compensated Absences	13,268
Debt Issued	(59,863)
	13,268
	(59,863)
Change in Net Position of Governmental Activities	\$ 1,974,748

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,424,746	\$ 5,424,746	\$ 5,755,593	\$ 330,847
Permits, Fees, and Special Assessments	1,693,637	1,693,637	1,987,721	294,084
Intergovernmental	1,190,817	1,352,138	1,399,921	47,783
Charges for Services	244,116	244,116	292,656	48,540
Fines and Forfeitures	86,500	86,500	94,341	7,841
Investment Earnings	105,000	105,000	11,227	(93,773)
Miscellaneous	20,120	91,508	110,171	18,663
Total Revenues	<u>8,764,936</u>	<u>8,997,645</u>	<u>9,651,630</u>	<u>653,985</u>
EXPENDITURES				
Current:				
General Government	1,047,956	1,083,349	838,302	245,047
Public Safety				
Law Enforcement	4,330,575	4,594,436	4,316,505	277,931
Fire Control	3,111,999	3,142,588	2,983,967	158,621
Building, Zoning, and Planning	315,717	590,717	327,199	263,518
Physical Environment	32,605	29,405	17,224	12,181
Transportation	1,186,401	1,204,899	1,058,951	145,948
Economic Environment	307,424	307,424	307,424	-
Culture and Recreation	646,275	748,061	611,777	136,284
Capital Outlay	174,880	845,217	286,146	559,071
Debt Service:				
Interest	8,000	8,000	285	7,715
Total Expenditures	<u>11,161,832</u>	<u>12,554,096</u>	<u>10,747,780</u>	<u>1,806,316</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,396,896)	(3,556,451)	(1,096,150)	2,460,301
OTHER FINANCING SOURCES (USES)				
Sale of City Property	-	-	4,100	4,100
Transfers In	1,300,000	1,516,272	1,321,272	(195,000)
Transfer Out	(180,124)	(180,124)	(180,124)	-
Total Other Financing Sources (Uses)	<u>1,119,876</u>	<u>1,336,148</u>	<u>1,145,248</u>	<u>(190,900)</u>
CHANGE IN FUND BALANCE	(1,277,020)	(2,220,303)	49,098	2,269,401
Fund Balance – Beginning, as Previously Reported	<u>7,471,243</u>	<u>7,471,243</u>	<u>7,471,243</u>	<u>-</u>
FUND BALANCE – END OF YEAR	<u>\$ 6,194,223</u>	<u>\$ 5,250,940</u>	<u>\$ 7,520,341</u>	<u>\$ 2,269,401</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – INFRASTRUCTURE FUND
YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,047,197	\$ 1,047,197	\$ 1,367,499	\$ 320,302
Investment Earnings	20,000	20,000	5,780	(14,220)
Total Revenues	<u>1,067,197</u>	<u>1,067,197</u>	<u>1,373,279</u>	<u>306,082</u>
EXPENDITURES				
Current:				
Transportation	195,000	286,288	35,643	250,645
Capital Outlay	872,197	1,375,697	598,638	777,059
Total Expenditures	<u>1,067,197</u>	<u>1,661,985</u>	<u>634,281</u>	<u>1,027,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(594,788)	738,998	1,333,786
OTHER FINANCING SOURCES				
Issuance of Debt	-	-	59,863	59,863
CHANGE IN FUND BALANCE	-	(594,788)	798,861	1,393,649
Fund Balance – Beginning	<u>3,739,095</u>	<u>3,739,095</u>	<u>3,739,095</u>	<u>-</u>
FUND BALANCE – ENDING	<u><u>\$ 3,739,095</u></u>	<u><u>\$ 3,144,307</u></u>	<u><u>\$ 4,537,956</u></u>	<u><u>\$ 1,393,649</u></u>

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021**

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)	Total	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 7,052,449	\$ 1,548,990	\$ 529,699	\$ 9,131,138	\$ 1,447,241
Receivables, Net	757,970	68,654	-	826,624	154,865
Due from Other Funds	-	19,748	-	19,748	-
Due from Other Governments	-	197	-	197	-
Inventory	324,587	-	5,287	329,874	-
Prepaid Items	2,543	-	614	3,157	-
Intangible Asset	315,372	-	-	315,372	-
Total Current Assets	<u>8,452,921</u>	<u>1,637,589</u>	<u>535,600</u>	<u>10,626,110</u>	<u>1,602,106</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	2,279,714	-	-	2,279,714	-
Capital Assets, Net	34,947,967	1,177,247	959,039	37,084,253	-
Total Noncurrent Assets	<u>37,227,681</u>	<u>1,177,247</u>	<u>959,039</u>	<u>39,363,967</u>	<u>-</u>
Total Assets	45,680,602	2,814,836	1,494,639	49,990,077	1,602,106
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	530,022	149,802	99,304	779,128	-
Deferred Outflows Related to OPEB	85,602	22,929	17,527	126,058	-
Deferred Cost on Refunding	53,696	-	-	53,696	-
Total Deferred Outflows of Resources	<u>669,320</u>	<u>172,731</u>	<u>116,831</u>	<u>958,882</u>	<u>-</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	451,323	82,318	36,316	569,957	393,057
Accrued Expenses	24,076	7,769	5,214	37,059	-
Unearned Revenue	161,800	2,655	45,301	209,756	1,952
Compensated Absences Payable	73,139	20,969	16,312	110,420	-
Current Portion of Long-Term Debt	2,250,249	173,698	-	2,423,947	-
Current Liabilities Payable from					
Restricted Assets:					
Accrued Interest	25,054	4,177	-	29,231	-
Customer Deposits	2,203,839	-	-	2,203,839	-
Total Current Liabilities	<u>5,189,480</u>	<u>291,586</u>	<u>103,143</u>	<u>5,584,209</u>	<u>395,009</u>
Noncurrent Liabilities:					
Net Pension Liability	788,742	231,603	151,590	1,171,935	-
Other Postemployment Benefits	199,050	52,192	39,809	291,051	-
Landfill Closure	-	467,500	-	467,500	-
Long-Term Debt	2,712,991	179,321	-	2,892,312	-
Total Noncurrent Liabilities	<u>3,700,783</u>	<u>930,616</u>	<u>191,399</u>	<u>4,822,798</u>	<u>-</u>
Total Liabilities	8,890,263	1,222,202	294,542	10,407,007	395,009
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	1,058,257	293,852	182,772	1,534,881	-
NET POSITION					
Net Investment in Capital Assets	29,902,237	824,228	959,039	31,685,504	-
Restricted for Debt Service (Expendable)	75,875	-	-	75,875	-
Unrestricted	6,423,290	647,285	175,117	7,245,692	1,207,097
Total Net Position	<u>\$ 36,401,402</u>	<u>\$ 1,471,513</u>	<u>\$ 1,134,156</u>	<u>39,007,071</u>	<u>\$ 1,207,097</u>

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

152,432

Net Position of Business-Type Activities

\$ 39,159,503

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)	Total	
OPERATING REVENUES					
Charges for Services	\$ 10,135,641	\$ 2,071,032	\$ 570,239	\$ 12,776,912	\$ 3,154,903
Miscellaneous Revenue	533,659	17,274	92,499	643,432	-
Total Operating Revenues	<u>10,669,300</u>	<u>2,088,306</u>	<u>662,738</u>	<u>13,420,344</u>	<u>3,154,903</u>
OPERATING EXPENSES					
Employee Compensation and Benefits	2,242,755	681,210	442,709	3,366,674	-
General and Administrative	411,590	168,332	133,183	713,105	80,348
Professional	56,779	4,482	5,008	66,269	-
Landfill Fees	-	503,356	-	503,356	-
Insurance	394,360	13,314	22,668	430,342	1,291,824
Repairs, Maintenance, and Supplies	1,472,123	296,548	177,483	1,946,154	-
Claims Expense	-	-	-	-	2,152,756
Utilities	556,238	3,456	30,006	589,700	-
Depreciation	2,515,281	285,893	96,196	2,897,370	-
Total Operating Expenses	<u>7,649,126</u>	<u>1,956,591</u>	<u>907,253</u>	<u>10,512,970</u>	<u>3,524,928</u>
OPERATING INCOME (LOSS)	3,020,174	131,715	(244,515)	2,907,374	(370,025)
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	9,173	4,030	764	13,967	2,789
Connection Fees	408,725	-	-	408,725	-
Gain (Loss) on Disposal of Assets	(14,892)	16,374	-	1,482	-
Insurance Proceeds	-	-	-	-	106,851
Interest Expense	(187,403)	(12,843)	-	(200,246)	-
Amortization Expense	(38,286)	-	-	(38,286)	-
Total Nonoperating Revenues (Expenses)	<u>177,317</u>	<u>7,561</u>	<u>764</u>	<u>185,642</u>	<u>109,640</u>
INCOME (LOSS) BEFORE TRANSFERS	3,197,491	139,276	(243,751)	3,093,016	(260,385)
TRANSFERS					
Transfers In	-	-	180,124	180,124	-
Transfers Out	(1,050,000)	(250,000)	-	(1,300,000)	(21,272)
Total Transfers	<u>(1,050,000)</u>	<u>(250,000)</u>	<u>180,124</u>	<u>(1,119,876)</u>	<u>(21,272)</u>
CHANGE IN NET POSITION	2,147,491	(110,724)	(63,627)	1,973,140	(281,657)
Total Net Position - Beginning of Year	<u>34,253,911</u>	<u>1,582,237</u>	<u>1,197,783</u>	<u>37,033,931</u>	<u>1,488,754</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 36,401,402</u>	<u>\$ 1,471,513</u>	<u>\$ 1,134,156</u>	<u>\$ 39,007,071</u>	<u>\$ 1,207,097</u>
CHANGE IN NET POSITION - ENTERPRISE FUNDS				\$ 1,973,140	
Some amounts reported for business-type activities in the statement of activities are different because of unallocated overcharges by the Internal Service Funds.				<u>(88,200)</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				<u>\$ 1,884,940</u>	

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021**

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers and Users	\$ 10,617,214	\$ 2,077,711	\$ 661,466	\$ 13,356,391	\$ 3,095,012
Cash Received from Insurance	-	-	-	-	352,742
Cash Payments to Suppliers and Claims	(2,731,311)	(973,001)	(355,711)	(4,060,023)	(3,512,631)
Cash Payments for Employee Services	(2,188,856)	(622,441)	(449,746)	(3,261,043)	-
Net Cash Provided (Used) by Operating Activities	<u>5,697,047</u>	<u>482,269</u>	<u>(143,991)</u>	<u>6,035,325</u>	<u>(64,877)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Received from Operating Grants	3,974	-	-	3,974	-
Transfer to Other Funds	(1,113,368)	(286,722)	(12,975)	(1,413,065)	(21,272)
Transfer from Other Funds	-	-	180,124	180,124	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,109,394)</u>	<u>(286,722)</u>	<u>167,149</u>	<u>(1,228,967)</u>	<u>(21,272)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(2,273,746)	(117,588)	(15,220)	(2,406,554)	-
Proceeds from Sale of Capital Asset	-	39,825	-	39,825	-
Proceeds from Capital Debt	9,163	-	-	9,163	-
Principal Paid on Long-Term Debt	(2,316,060)	(176,461)	-	(2,492,521)	-
Cash Received from Insurance	-	-	-	-	106,851
Interest Paid	(136,469)	(8,666)	-	(145,135)	-
Connection Fees and Capital Contributions	552,353	-	-	552,353	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,164,759)</u>	<u>(262,890)</u>	<u>(15,220)</u>	<u>(4,442,869)</u>	<u>106,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	9,173	4,030	764	13,967	2,789
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	432,067	(63,313)	8,702	377,456	23,491
Cash and Cash Equivalents – Beginning of Year	<u>8,900,096</u>	<u>1,612,303</u>	<u>520,997</u>	<u>11,033,396</u>	<u>1,423,750</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 9,332,163</u>	<u>\$ 1,548,990</u>	<u>\$ 529,699</u>	<u>\$ 11,410,852</u>	<u>\$ 1,447,241</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Cash and Cash Equivalents	\$ 7,052,449	\$ 1,548,990	\$ 529,699	\$ 9,131,138	\$ 1,447,241
Restricted Assets - Cash and Cash Equivalents	<u>2,279,714</u>	<u>-</u>	<u>-</u>	<u>2,279,714</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,332,163</u>	<u>\$ 1,548,990</u>	<u>\$ 529,699</u>	<u>\$ 11,410,852</u>	<u>\$ 1,447,241</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING, FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities – Enterprise Funds			Total	Internal Service Funds
	Water and Wastewater	Solid Waste	Nonmajor (Golf Course)		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 3,020,174	\$ 131,715	\$ (244,515)	\$ 2,907,374	\$ (370,025)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	2,515,281	285,893	96,196	2,897,370	-
(Increase) Decrease in Assets:					
Accounts Receivable	(126,018)	(10,428)	-	(136,446)	39,271
Inventory	(2,151)	-	776	(1,375)	-
Prepaid Items	(2,473)	-	(614)	(3,087)	-
Due from Other Funds	-	-	-	-	253,473
Due from Other Government	7,099	(167)	254	7,186	4,526
Deferred Outflows Related to Pensions	253,505	53,753	53,901	361,159	-
Deferred Outflows Related to OPEB	17,046	4,566	3,491	25,103	-
Increase (Decrease) in Liabilities:					
Accounts Payable	164,403	16,487	11,889	192,779	195,214
Accrued Expenses	5,781	2,871	1,362	10,014	(182,917)
Unearned Revenue	-	-	(2,302)	(2,302)	(4,419)
Compensated Absences	(14,991)	3,245	(2,557)	(14,303)	-
Customer Deposits	66,833	-	-	66,833	-
OPEB Liability	(11,473)	(3,074)	(2,349)	(16,896)	-
Net Pension Liability	(1,213,499)	(286,474)	(233,144)	(1,733,117)	-
Deferred Inflows Related to Pensions	1,017,530	283,882	173,621	1,475,033	-
Net Cash Provided (Used) by Operating Activities Activities	<u>\$ 5,697,047</u>	<u>\$ 482,269</u>	<u>\$ (143,991)</u>	<u>\$ 6,035,325</u>	<u>\$ (64,877)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES					
Capital Additions Funded by Accounts Payable	<u>\$ 3,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,036</u>	<u>\$ -</u>
Capital Additions Acquired by Capital Lease	<u>\$ -</u>	<u>\$ 529,480</u>	<u>\$ -</u>	<u>\$ 529,480</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021**

	Pension Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 979,164
Receivables:	
Interest and Dividends	79,452
Partnership Distribution	7,311
Total Receivables	86,763
Investments, at Fair Value:	
U.S. Government Obligations	4,822,146
Mortgage Backed Securities	2,975,652
Municipal Obligations	23,841
Corporate Bonds	4,604,842
Common Stock	10,631,455
Mutual Funds - Equities	14,018,896
Real Estate Partnership	2,269,936
Total Investments	39,346,768
Total Assets	40,412,695
LIABILITIES	
Accounts Payable	46,757
Total Liabilities	46,757
NET POSITION RESTRICTED FOR PENSIONS	\$ 40,365,938

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021**

	Pension Trust Fund
ADDITIONS	
Contributions:	
City	\$ 1,640,526
Plan Members	59,915
Total Contributions	1,700,441
Investment Income:	
Net Appreciation in Fair Value of Investments	5,664,131
Interest and Dividends	760,052
Other	78,174
Total Investment Income	6,502,357
Less Investment Expenses	(165,000)
Net Investment Income	6,337,357
Total Additions	8,037,798
DEDUCTIONS	
Payments to Retirees and Participants	1,628,134
Administration Expenses	85,914
Total Deductions	1,714,048
NET INCREASE IN NET POSITION	6,323,750
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of Year	34,042,188
End of Year	\$ 40,365,938

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

Discretely Presented Component Unit

The Community Redevelopment Agency (the CRA) was created by City Ordinance Number 654 pursuant to Part III of chapter 163, Florida Statutes. The CRA is legally separate and is responsible for the redevelopment of defined areas within the city limits. The CRA is governed by a seven member board, which is appointed by the City Council. The City and County are obligated to pay the CRA any tax revenues relating to an increase in the assessed value of property within the redevelopment areas. During the current year, the City paid the CRA \$307,424, which represents its portion of the incremental increase in ad valorem taxes. The CRA is presented in a separate column in the government-wide statements to emphasize it is legally separate from the primary government. Separate financial statements for the CRA may be obtained by writing to the City of Sebring Community Redevelopment Agency, 309 Circle Park Drive, Sebring, Florida 33870.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Related Organizations

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

C. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statement Presentation

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

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

Governmental Major Funds

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

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

Governmental Nonmajor Fund

Community Development Block Grant (CDBG) Fund – This special revenue fund is used to account for a federal grant passed through the state of Florida used for neighborhood revitalization.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statement Presentation (Continued)

Proprietary Major Funds

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

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

Proprietary Nonmajor Fund

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

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

Fiduciary Funds

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

E. Budgetary Information

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund shown in the basic financial statements, present comparisons of the legally adopted budget, as amended, with actual results for the General Fund. The originally adopted budget is presented for purposes of comparison to the final, amended budget. The City Council amended the budget of the General Fund by resolution. These amendments provided for additional budgetary appropriations in the amount of \$1,392,264. Of this amount, \$943,283 was financed by fund balance reserves, with the remaining \$448,981 financed by additional budgeted revenues.

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

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

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

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

F. Cash and Cash Equivalents

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

G. Investments

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

H. Receivables

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

I. Inventories

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

J. Prepaid Items

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Intangible Assets

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

The total unamortized balance for this intangible asset at September 30, 2021 is \$315,372.

L. Capital Assets

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

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/ Deferred Inflows of Resources

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

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

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

N. Unearned Revenues

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Interfund Transactions and Loans

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

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

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

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

P. Compensated Absences

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

Q. Pension Plans

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

CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Pension Plans (Continued)

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

R. Long-Term Obligations

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

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

S. Fund Balance Policy

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Property Taxes

Ad valorem taxes for the current fiscal year (beginning October 1, 2020) are assessed on July 1, 2020, based on property values as of January 1, 2020. The taxes are levied in the month of November 2020, by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due and payable November 1, 2020, and become delinquent April 1, 2021. Tax certificates are sold for delinquent taxes by June 1, 2021. Generally, the City collects substantially all of its current year property taxes during the year in which they are due. No accrual for the property tax levy becoming due in November 2021 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the next fiscal year.

U. Government -Wide and Proprietary Fund Net Position

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

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

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

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

V. Government Fund Balances

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

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

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Government Fund Balances (Continued)

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

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

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

W. Use of Estimates

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

NOTE 2 CASH AND INVESTMENTS

Cash

At September 30, 2021, the bank balances of the City's deposits consisted of \$4,345,354 in demand deposits and \$274,467 in certificates of deposit.

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash (Continued)

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

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

Cash and cash equivalents at September 30, 2021, including restricted amounts, consist of:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Component Unit
Petty Cash and Change Funds	\$ 700	\$ 2,600	\$ -	\$ -
Demand and Brokerage Deposits	499,485	2,530,759	-	1,058,934
Cash with Fiscal Agent	100,000	-	-	-
Certificate of Deposit	-	274,467	-	-
Money Market Mutual Funds	-	-	979,164	-
Florida PRIME	14,075,029	8,603,026	-	651,139
Total Cash and Cash Equivalents	<u>\$ 14,675,214</u>	<u>\$ 11,410,852</u>	<u>\$ 979,164</u>	<u>\$ 1,710,073</u>

Investments

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

Florida PRIME

Florida PRIME is an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2021, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month London Interbank Offered Rate (LIBOR) rates. These investments represented 4.4% of the Florida PRIME's portfolio at September 30, 2021.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

The dollar weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2021 was 49 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2021 was 64 days.

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

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

As of September 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The City has no policy on credit risk. Investments at fair value and corresponding credit risk rating as of September 30, 2021 are as follows:

<u>Investment Type</u>	<u>Fiduciary Funds</u>	<u>Credit Rating</u>
U.S. Government Obligations	\$ 4,616,420	Aaa
U.S. Government Obligations	205,726	AA+
Mortgage Backed Securities	2,960,670	Aaa
Mortgage Backed Securities	14,982	Baa2
Municipal Obligations	23,841	A2
Corporate Bonds	385,073	Aa1 to Aa3
Corporate Bonds	3,418,437	A1 to A3
Corporate Bonds	788,054	Baa1 to Baa3
Corporate Bonds	13,278	WR
Common Stock	10,631,455	Not Applicable
Mutual Funds - Equities	14,018,896	Not Applicable
Real Estate Partnership	2,269,936	Not Applicable
Total Investments	<u>\$ 39,346,768</u>	

The fiduciary funds have two money market mutual funds, one that has \$333,614 that is rated by Standard and Poor's with a credit risk rating of AAAM and a weighted average maturity of 14 days, and a second money market mutual fund that has \$645,550 that is rated by Standard and Poor's with a credit risk rating of AAAM and a weighted average maturity of 37 days at September 30, 2021.

At September 30, 2021, Florida PRIME has a credit rating of AAAM.

Concentration of Credit Risk

Assets are to be diversified to control the risk of loss resulting from concentration of assets in a specific maturity, issue, instrument, deal, or bank through which the investments are bought and sold. No investments in any one issuer exceeds 5% of the total investments.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value

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

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

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Fund	\$ 2,269,936	\$ 2,962	Quarterly	Daily

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

The City had the following fair value measurements as of September 30, 2021:

	Total	Level 1	Level 2	Level 3
Investments at Fair Value Level:				
U.S. Government Obligations	\$ 4,822,146	\$ 382,306	\$ 4,439,840	\$ -
Mortgage Backed Securities	2,975,652	-	2,975,652	-
Municipal Obligations	23,841	-	23,841	-
Corporate Bonds	4,604,842	-	4,604,842	-
Common Stock	10,631,455	10,631,455	-	-
Mutual Funds - Equities	14,018,896	14,018,896	-	-
Total Investments Measured at Fair Value	<u>37,076,832</u>	<u>\$ 25,032,657</u>	<u>\$ 12,044,175</u>	<u>\$ -</u>
Investments Measured at Amortized Cost or NAV				
Real Estate Partnership	2,269,936			
Florida PRIME	22,678,055			
Total Investments	<u>\$ 62,024,823</u>			

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no policy on interest rate risk. Investments and related level of risk at September 30, 2021 are as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Fiduciary Funds:					
U.S. Government Obligations	\$ 4,822,146	\$ 284,990	\$ 1,581,018	\$ 2,140,248	\$ 815,890
Mortgage Backed Securities	2,975,652	-	56,045	49,354	2,870,253
Municipal Obligations	23,841	-	-	-	23,841
Corporate Bonds	4,604,842	320,430	1,565,440	2,146,817	572,155
Total	<u>\$ 12,426,481</u>	<u>\$ 605,420</u>	<u>\$ 3,202,503</u>	<u>\$ 4,336,419</u>	<u>\$ 4,282,139</u>

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

NOTE 3 RECEIVABLES

Receivables as of September 30, 2021 for the City's individual major funds and internal service fund, including applicable allowances for uncollectible balances, are as follows:

	<u>Governmental Activities</u>		
	<u>General</u>	<u>Internal Service</u>	<u>Total</u>
	Utility and Franchise Taxes	\$ 273,726	\$ -
Customer Charges	1,270	-	1,270
Reinsurance	-	146,667	146,667
Miscellaneous	7,745	8,198	15,943
Gross Receivables	282,741	154,865	437,606
Allowance for Doubtful Accounts	(1,669)	-	(1,669)
Total	<u>\$ 281,072</u>	<u>\$ 154,865</u>	<u>\$ 435,937</u>
	<u>Business-Type Activities</u>		
	<u>Water and Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Utility and Franchise Taxes	\$ -	\$ 2,240	\$ 2,240
Customer Charges	567,954	66,414	634,368
Customer Charges - Unbilled	199,282	-	199,282
Gross Receivables	767,236	68,654	835,890
Allowance for Doubtful Accounts	(9,266)	-	(9,266)
Total	<u>\$ 757,970</u>	<u>\$ 68,654</u>	<u>\$ 826,624</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 4 INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ending September 30, 2021 were as follows:

	Transfer In Fund		Total
	General Fund	Golf Course Fund	
Transfer Out Fund:			
General Fund	\$ -	\$ 180,124	\$ 180,124
Risk Insurance Fund	21,272	-	21,272
Water and Wastewater Fund	1,050,000	-	1,050,000
Solid Waste Fund	250,000	-	250,000
Total	<u>\$ 1,321,272</u>	<u>\$ 180,124</u>	<u>\$ 1,501,396</u>

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

Interfund balances at September 30, 2021 consisted of the following amounts:

	Due To Fund	
	General Fund	Solid Waste Fund
Due From Fund		
Major Funds:		
General Fund	\$ -	\$ 19,748
Nonmajor Governmental Funds	289,718	-
Total	<u>\$ 289,718</u>	<u>\$ 19,748</u>

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

NOTE 5 RESTRICTED ASSETS

Restricted assets in the Enterprise Funds consist of the following:

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

Restricted Assets for Loan Payable:	
Sinking Fund	\$ 24,288
Reserve Fund	51,587
Total Restricted Assets for Loans Payable	<u>75,875</u>
Other Restricted Assets:	
Customer Utility Deposits	2,203,839
Total Restricted Assets	<u>\$ 2,279,714</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5 RESTRICTED ASSETS (CONTINUED)

At September 30, 2021 the sinking fund balances are fully funded in accordance with loan requirements. The net position restricted for debt service of \$75,875 for business-type activities represents the Sinking and Reserve Funds assets established for the loans payable.

NOTE 6 CAPITAL ASSETS

Changes in Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers and Recassifications	Ending Balance
<u>Governmental Activities</u>					
Capital Assets not Being Depreciated:					
Land	\$ 1,842,082	\$ -	\$ -	\$ -	\$ 1,842,082
Construction in Progress	499,872	1,365,195	-	(863,411)	1,001,656
Total Capital Assets not Being Depreciated	2,341,954	1,365,195	-	(863,411)	2,843,738
Capital Assets Being Depreciated:					
Buildings	5,659,182	57,355	4,850	180,242	5,891,929
Improvements Other Than Buildings	3,056,965	-	-	520,171	3,577,136
Equipment	6,533,631	71,111	169,698	(4,569)	6,430,475
Infrastructure	13,219,298	59,967	-	162,998	13,442,263
Total Capital Assets Being Depreciated	28,469,076	188,433	174,548	858,842	29,341,803
Less Accumulated Depreciation for:					
Buildings	2,893,746	173,967	4,850	-	3,062,863
Improvements Other Than Buildings	2,362,638	195,542	-	(1,151)	2,557,029
Equipment	4,765,771	441,814	186,577	(4,569)	5,016,439
Infrastructure	6,296,902	402,934	-	-	6,699,836
Total Accumulated Depreciation	16,319,057	1,214,257	191,427	(5,720)	17,336,167
Capital Assets Being Depreciated, Net	12,150,019	(1,025,824)	(16,879)	864,562	12,005,636
Governmental Activities Capital Assets, Net	<u>\$ 14,491,973</u>	<u>\$ 339,371</u>	<u>\$ (16,879)</u>	<u>\$ 1,151</u>	<u>\$ 14,849,374</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Changes in Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers and Recassifications	Ending Balance
<u>Business-Type Activities</u>					
Capital Assets not Being Depreciated:					
Land	\$ 577,877	\$ -	\$ -	\$ -	\$ 577,877
Construction in Progress	256,481	1,963,189	-	(256,083)	1,963,587
Total Capital Assets not Being Depreciated	834,358	1,963,189	-	(256,083)	2,541,464
Capital Assets Being Depreciated:					
Buildings	2,274,355	-	-	75,009	2,349,364
Equipment	9,317,662	695,056	582,922	-	9,429,796
Golf Course Improvements	1,293,380	-	-	-	1,293,380
Water System	42,154,717	84,013	-	119,769	42,358,499
Wastewater System	31,749,753	63,977	18,031	61,305	31,857,004
Total Capital Assets Being Depreciated	86,789,867	843,046	600,953	256,083	87,288,043
Less Accumulated Depreciation for:					
Buildings	1,074,650	68,868	-	-	1,143,518
Equipment	6,727,039	652,386	556,486	4,573	6,827,512
Golf Course Improvements	962,344	42,198	-	-	1,004,542
Water System	22,927,530	1,229,896	-	-	24,157,426
Wastewater System	18,714,358	904,022	-	(6,124)	19,612,256
Total Accumulated Depreciation	50,405,921	2,897,370	556,486	(1,551)	52,745,254
Capital Assets Being Depreciated, Net	36,383,946	(2,054,324)	44,467	257,634	34,542,789
Business-Type Activities Capital Assets, Net	<u>\$ 37,218,304</u>	<u>\$ (91,135)</u>	<u>\$ 44,467</u>	<u>\$ 1,551</u>	<u>\$ 37,084,253</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 233,948
Law Enforcement	160,962
Fire Control	245,055
Building and Zoning	9,444
Physical Environment	88,425
Transportation	358,322
Culture and Recreation	118,101
Total Depreciation Expense, Governmental Activities	<u>\$ 1,214,257</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Changes in Capital Assets (Continued)

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

Business-Type Activities:	
Water	\$ 1,418,905
Wastewater	1,096,376
Solid Waste	285,893
Golf Course	<u>96,196</u>
Total Depreciation Expense, Business-Type Activities	<u><u>\$ 2,897,370</u></u>

The City owns a well and related equipment currently not in use. This idle property was purchased in 2001 for \$192,060 and has a carrying value of \$89,243 at September 30, 2021.

NOTE 7 COMMITMENTS

Construction Commitments

The following is a summary of the projects in process and other commitments remaining at September 30, 2021:

	<u>Commitment Authorized</u>	<u>Expended to September 30, 2021</u>	<u>Remaining Commitment</u>
General Fund:			
Wachovia Building Renovation	\$ 68,562	\$ -	\$ 68,562
Public Works Building	164,461	95,580	68,881
Infrastructure Fund:			
Sebring Parkway Improvements	1,175,642	-	1,175,642
Storm Drain Improvements	142,667	76,885	65,782
Other Road and Sidewalk Improvements	153,866	8,317	145,549
West Lake Jackson Infrastructure Improvements	169,830	163,197	6,633
CDBG Fund:			
Road Improvements	759,357	732,607	26,750
Water and Wastewater Fund:			
Country Club Water Interconnection	43,055	13,185	29,870
Country Club Sewer Interconnection	95,530	24,685	70,845
Cemetery WWTP Percolation Pond	67,550	-	67,550
Sebring Parkway Water Upgrades	1,462,301	905,418	556,883
Sebring Parkway Sewer Upgrades	718,200	525,714	192,486
West Lake Jackson Infrastructure	59,670	45,470	14,200
Manhole Improvements	67,145	52,005	15,140
Total	<u><u>\$ 5,147,836</u></u>	<u><u>\$ 2,643,063</u></u>	<u><u>\$ 2,504,773</u></u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7 COMMITMENTS (CONTINUED)

Encumbrances

Other significant commitments include encumbrances outstanding as shown below:

General Fund	\$ 361,147
Water and Wastewater Fund	453,389
Total	<u>\$ 814,536</u>

NOTE 8 PLEDGED REVENUES

The City has pledged future revenues derived from the operation of the water and wastewater systems and public service taxes, net of operating and maintenance expenses, to repay six loans amounting to \$4,963,240. The loan descriptions and maturities are included in Note 9 and are payable solely from the net earnings of the water and wastewater systems. The total principal and interest remaining to be paid on the loans is \$5,130,070. Principal paid and interest expense for the current year was \$2,333,742 and net system revenues were \$7,496,348. Scheduled principal and interest for pledged loans for fiscal year 2022 is \$2,332,795. Annual payments of debt service are expected to require 31.1% of available net revenues.

NOTE 9 LONG-TERM DEBT

Long-term liability activity of the City for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
<u>Governmental Activities</u>						
Direct Borrowings	\$ -	\$ 59,863	\$ -	59,863	\$ 19,904	\$ 39,959
Compensated Absences	316,460	294,771	308,039	303,192	303,192	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 316,460</u>	<u>\$ 354,634</u>	<u>\$ 308,039</u>	<u>\$ 363,055</u>	<u>\$ 323,096</u>	<u>\$ 39,959</u>
<u>Business-Type Activities</u>						
Capital Lease Obligations	\$ 116,512	\$ 529,480	\$ 292,973	\$ 353,019	\$ 173,698	\$ 179,321
Direct Borrowings	816,180	9,163	130,788	694,555	136,704	557,851
Direct Placements	6,337,445	-	2,068,760	4,268,685	2,113,545	2,155,140
Compensated Absences	124,723	113,293	127,596	110,420	110,420	-
Landfill Closure	467,500	-	-	467,500	-	467,500
Total Business-Type Activities Long-Term Liabilities	<u>\$ 7,862,360</u>	<u>\$ 651,936</u>	<u>\$ 2,620,117</u>	<u>\$ 5,894,179</u>	<u>\$ 2,534,367</u>	<u>\$ 3,359,812</u>

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the debt outstanding as of September 30, 2021 are as follows:

<u>Year Ending September 30,</u>	Governmental Activities		
	Direct Borrowings		
	Principal	Interest	Total
2022	\$ 19,904	\$ -	\$ 19,904
2023	19,904	-	19,904
2024	19,904	-	19,904
2025	151	-	151
Total	\$ 59,863	\$ -	\$ 59,863

<u>Year Ending September 30,</u>	Business-Type Activities		
	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2022	\$ 2,250,249	\$ 85,589	\$ 2,335,838
2023	2,294,779	36,360	2,331,139
2024	92,611	9,986	102,597
2025	41,132	8,416	49,548
2026	42,212	7,311	49,523
2027 - 2031	223,225	18,915	242,140
2032 - 2035	19,032	253	19,285
Total	\$ 4,963,240	\$ 166,830	\$ 5,130,070

Direct Placement – 2011 Utility Revenue Refunding Note

Refunding note payable at September 30, 2021 is as follows:

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

\$ 4,268,685

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Direct Placement – 2011 Utility Revenue Refunding Note (Continued)

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

Rates – The City will establish, maintain and collect fees, rates or other charges for the services of the system that will provide in each fiscal year 135% of the annual debt service requirement. If the City does not meet this covenant, the note rate shall be increased by 0.15% per annum retroactive to the first day following the end of such fiscal year. For fiscal year 2021, the refunding note coverage for the City’s rate test is 275%.

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

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

Direct Borrowing – State Revolving Fund Loans

The City also has five State Revolving Fund loans with a total balance of \$754,418. The loans will be used for water and wastewater projects. The loans are secured by pledged revenues of the water and sewer system.

State Revolving Fund Loan – Lake Jackson Shores

<u>Description</u>	<u>Outstanding at September 30, 2021</u>
\$1,649,519 loan payable (\$154,438 at 3.08% and \$1,495,081 at 1.87%); from the State of Florida, Department of Environmental Protection; semiannual payment of \$50,029, including interest, beginning August 15, 2004 through February 15, 2024; secured by a pledge of net revenues of the water and wastewater system.	<u>\$ 242,837</u>

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Direct Borrowing – State Revolving Fund Loans (Continued)

State Revolving Fund Loan – Sparta Road

Description

\$165,859 loan payable at 2.71% from the State of Florida, Department of Environmental Protection; semiannual payment of \$5,476, including interest, beginning June 15, 2011 through December 15, 2030; secured by a pledge of net revenues of the water and wastewater system.

Outstanding at
September 30,
2021

\$ 91,194

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

State Revolving Fund Loan – Airport Road

Description

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

Outstanding at
September 30,
2021

\$ 38,988

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

State Revolving Fund Loan – State Road 17

Description

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

Outstanding at
September 30,
2021

\$ 312,373

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Direct Borrowing – State Revolving Fund Loans (Continued)

State Revolving Fund Loan – West Lake Jackson

<u>Description</u>	<u>Outstanding at September 30, 2021</u>
<p>\$225,500 loan payable at 0% from the State of Florida, Department of Environmental Protection; semiannual payment of \$11,475, including interest, beginning February 15, 2022 through August 15, 2032; secured by a pledge of net revenues of the water and wastewater system.</p>	
Governmental Activities	\$ 59,863
Business-Type Activities	9,163
Total	<u>\$ 69,026</u>

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

Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of equipment for its solid waste operations. The following lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payment as of the inception date.

The Leasing 2, Inc. capital lease used for the purchase of a Peterbilt Front Loader is dated December 15, 2020 for \$280,260 at a 3.24% interest rate, due in annual installments of \$97,988 through June 15, 2023.

The Leasing 2, Inc. capital lease used for the purchase of a New Way Mammoth Front Loader is dated October 20, 2020 for \$249,220 at a 3.24% interest rate, due in annual installments of \$87,138 through April 20, 2023.

The assets acquired through the capital lease are as follows:

	<u>Business-Type Activities</u>
Asset:	
Equipment	\$ 529,480
Less Accumulated Depreciation	(67,001)
Net Book Value	<u>\$ 462,479</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Capital Lease Obligations (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>
2022	\$ 185,126
2023	185,126
Total Minimum Lease Payments	<u>370,252</u>
Less: Amount Representing Interest	<u>(17,233)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 353,019</u></u>

NOTE 10 LANDFILL CLOSURE LIABILITY

The City owns and operates a landfill for yard trash as part of its solid waste operation. The solid waste operation of the City is accounted for as a business-type activity in the Solid Waste Fund. In September 2012, the Florida Department of Environmental Protection approved a change to the City's landfill permit. The landfill permit in effect until September 21, 2012, was a general landfill permit, which required a restriction on funds to cover 30 years of post-closure maintenance. The new permit is a yard waste facility permit, which requires no funding of the closure and post-closure maintenance. At September 30, 2021, the City has maintained a \$467,500 liability to cover the estimated landfill closure requirements of the Florida Department of Environmental Protection.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 RISK MANAGEMENT

Risk Pool

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

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

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

Risk Retention

The City self-insures the health benefits it provides to its employees. The City's plan retains the risk of loss for the medical claims up to \$60,000, and paid by December 31, 2021, per individual per year with an overall additional deductible of \$130,000. The City uses specific reinsurance with a deductible of \$130,000 to reduce its exposure for medical claims, excluding vision, dental and drug benefits, incurred and paid by September 30, 2021 that exceed a \$60,000 limit per individual. The City also utilizes an aggregate policy to reduce its exposure for total medical claims. The City's aggregate policy provides coverage of \$1,000,000 on an overall basis when covered medical claims exceed \$2,057,403 during the current fiscal year. The City also purchases commercial insurance for its exposure related to life benefits provided to employees. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

The liability at September 30, 2021 is \$387,343. The following is a summary of changes in the liability balance:

Fiscal Year	Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimate of Liability	Net Claim Payments	Liability End of Fiscal Year
2019-2020	\$ 515,033	\$ 1,799,311	\$ 1,962,146	\$ 352,198
2020-2021	352,198	2,085,443	2,050,298	387,343

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 RISK MANAGEMENT (CONTINUED)

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

NOTE 12 PENSION PLANS

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

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

	Police Officers' Retirement Trust Fund	Municipal Firefighters' Pension Plan	Total
Assets			
Cash and Cash Equivalents	\$ 645,547	\$ 333,617	\$ 979,164
Receivables:			
Interest and Dividends	37,213	42,239	79,452
Partnership Distribution	7,311	-	7,311
Total Receivables	44,524	42,239	86,763
Investments, at Fair Value:			
U.S. Government Obligations	3,233,517	1,588,629	4,822,146
Mortgage Backed Securities	2,187,559	788,093	2,975,652
Municipal Obligations	-	23,841	23,841
Corporate Bonds	1,770,471	2,834,371	4,604,842
Common Stock	8,124,557	2,506,898	10,631,455
Mutual Funds - Equities	6,466,148	7,552,748	14,018,896
Real Estate Partnership	1,077,950	1,191,986	2,269,936
Total Investments	22,860,202	16,486,566	39,346,768
 Total Assets	 23,550,273	 16,862,422	 40,412,695
Liabilities			
Accounts Payable	26,152	20,605	46,757
Total Liabilities	26,152	20,605	46,757
 Net Position Restricted for Pensions	 <u>\$ 23,524,121</u>	 <u>\$ 16,841,817</u>	 <u>\$ 40,365,938</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

	Police Officers' Retirement Trust Fund	Municipal Firefighters' Pension Plan	Total
Additions			
Contributions:			
City	\$ 880,703	\$ 759,823	\$ 1,640,526
Plan Members	41,818	18,097	59,915
Total Contributions	<u>922,521</u>	<u>777,920</u>	<u>1,700,441</u>
Investment Income:			
Net Appreciation in Fair Value of Investments	3,330,460	2,333,671	5,664,131
Interest and Dividends	316,095	443,957	760,052
Other	37,464	40,710	78,174
Subtotal	<u>3,684,019</u>	<u>2,818,338</u>	<u>6,502,357</u>
Less Investment Expenses	<u>(95,053)</u>	<u>(69,947)</u>	<u>(165,000)</u>
Net Investment Income	<u>3,588,966</u>	<u>2,748,391</u>	<u>6,337,357</u>
Total Additions	<u>4,511,487</u>	<u>3,526,311</u>	<u>8,037,798</u>
Deductions			
Payments to Retirees and Participants	625,425	1,002,709	1,628,134
Administration Expenses	44,974	40,940	85,914
Total Deductions	<u>670,399</u>	<u>1,043,649</u>	<u>1,714,048</u>
Net Increase in Net Position	3,841,088	2,482,662	6,323,750
Net Position Restricted for Pension:			
Beginning of Year	<u>19,683,033</u>	<u>14,359,155</u>	<u>34,042,188</u>
End of Year	<u>\$ 23,524,121</u>	<u>\$ 16,841,817</u>	<u>\$ 40,365,938</u>

Police Officers' Retirement Trust Fund (PORTF)

Plan Description

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

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

Plan Membership

As of September 30, 2019, the members of the plan were as follows:

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

Benefits Provided

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

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

Funding Policy

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

The required City contributions to the Plan for the year ended September 30, 2021 was 73.47% of payroll. Actual contributions for the year totaled \$880,703, or 100% of the required contribution. Contribution requirements for the Plan are established and may be amended by state law and city ordinance.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

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

Deferred Retired Option Program (DROP)

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

The DROP balance as of September 30, 2020, the most recently available information, is \$329,244.

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2020. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

Total Pension Liability	\$ 20,997,813
Plan Fiduciary Net Position	<u>(19,683,033)</u>
Net Pension Liability	<u>\$ 1,314,780</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.74%

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - September 30, 2019	\$ 19,427,720	\$ 17,937,055	\$ 1,490,665
Changes for the Year:			
Service Cost	403,117	-	403,117
Interest	1,406,362	-	1,406,362
Difference Between Actual and Expected Experience	99,215	-	99,215
Assumption Changes	257,450	-	257,450
Contributions - City	-	662,293	(662,293)
Contributions - Employee	-	50,658	(50,658)
Net Investment Income	-	1,676,248	(1,676,248)
Benefit Payments, Including Refunds of Employee Contributions	(596,051)	(596,051)	-
Administrative Expense	-	(47,170)	47,170
Net Changes	<u>1,570,093</u>	<u>1,745,978</u>	<u>(175,885)</u>
Balances - September 30, 2020	<u>\$ 20,997,813</u>	<u>\$ 19,683,033</u>	<u>\$ 1,314,780</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

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

Net Pension Liability of the City (Continued)

For the year ended September 30, 2021, the City recognized pension expense of \$907,475 for the plan. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 16,536	\$ -
Changes in Assumptions	42,908	-
Net Difference between Projected and Actual Earnings on Plan Investments	-	121,777
City Contributions Subsequent to the Measurement Date	880,703	-
Total	<u>\$ 940,147</u>	<u>\$ 121,777</u>

The deferred outflows of resources related to the Pension Plan, totaling \$880,703 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (46,313)
2023	24,363
2024	34,976
2025	(75,359)

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

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

Actuarial Cost Method	Entry Age Normal
Inflation	2.50 %
Salary Increases	5.00
Investment Rate of Return	7.10

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

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

Net Pension Liability of the City (Continued)

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

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

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.10%, which was a decrease of 0.10% from the 7.20% rate used for the prior measurement.

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

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

Net Pension Liability of the City (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
City's Net Pension Liability as of the Measurement Date	6.1%	7.1%	8.1%
	\$ 4,225,155	\$ 1,314,780	\$ (1,030,223)

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

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2021 were as follows:

Total Pension Liability	\$ 21,519,772
Plan Fiduciary Net Position	<u>(23,524,121)</u>
Net Pension Asset	<u><u>\$ (2,004,349)</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	109.31%
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The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2020, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2021, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	5.00
Investment Rate of Return	7.00

Mortality rates were based on the fully generational RP- 2010 Headcount Weighted Mortality Table for annuitants with future improvements in mortality projected to all future years using Scale MP-2018.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

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

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

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

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

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.00%. The discount rate was lowered from 7.10% to 7.00%.

The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the plan member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Net Pension Liability as of the Measurement Date	6.0% \$ 3,452,178	7.0% \$ (2,004,349)	8.0% \$ (1,818,900)

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

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

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2021 and the current sharing pattern of costs between employer and employee.

Municipal Firefighters' Pension Plan (MFPP)

Plan Description

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

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

Plan Membership

As of October 1, 2020, the members of the plan were as follows:

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

Benefits Provided

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Funding Policy

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

The required City contributions to the Plan for the year ended September 30, 2021 was 272.91% of payroll. Actual contributions for the year totaled \$759,823, or 100% of the required contribution. Contribution requirements for the Plan are established and may be amended by state law and city ordinance.

Deferred Retired Option Program (DROP)

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

As of September 30, 2021 there are no outstanding DROP balances.

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2020. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

Total Pension Liability	\$ 16,859,100
Plan Fiduciary Net Position	<u>(14,354,902)</u>
Net Pension Liability	<u><u>\$ 2,504,198</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 85.15%

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City (Continued)

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances - September 30, 2019	\$ 16,616,131	\$ 13,402,321	\$ 3,213,810
Changes for the Year:			
Service Cost	117,662	-	117,662
Interest	1,234,848	-	1,234,848
Difference Between Actual and Expected Experience	11,806	-	11,806
Assumption Changes	(149,769)	-	(149,769)
Contributions - City	-	689,652	(689,652)
Contributions - Employee	-	18,604	(18,604)
Net Investment Income	-	1,254,809	(1,254,809)
Benefit Payments, Including Refunds of Employee Contributions	(971,578)	(971,578)	-
Administrative Expense	-	(38,906)	38,906
Net Changes	<u>242,969</u>	<u>952,581</u>	<u>(709,612)</u>
Balances - September 30, 2020	<u>\$ 16,859,100</u>	<u>\$ 14,354,902</u>	<u>\$ 2,504,198</u>

For the year ended September 30, 2021, the City recognized pension expense of \$212,958 for the plan. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Plan Investments	\$ 7,676	\$ -
City Contributions Subsequent to the Measurement Date	759,823	-
Total	<u>\$ 767,499</u>	<u>\$ -</u>

The deferred outflows of resources related to the Pension Plan, totaling \$759,823 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2022.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City (Continued)

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (17,705)
2023	43,774
2024	31,150
2025	(49,543)

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

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

Inflation	2.50 %
Salary Increases	7.00
Investment Rate of Return	7.50

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

Net Pension Liability of the City (Continued)

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.50%, which was a decrease of 0.10% from the 7.60% rate used for the prior measurement.

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's Net Pension Liability as of the Measurement Date	6.5% \$ 4,473,119	7.5% \$ 2,504,198	8.5% \$ 871,525

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

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

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2021 were as follows:

Total Pension Liability	\$ 18,171,359
Plan Fiduciary Net Position	(16,837,564)
Net Pension Liability	\$ 1,333,795

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.66%
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**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

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

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

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2020, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2021, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	7.00
Investment Rate of Return	7.00

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021 are summarized in the following table:

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

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.00%. The discount rate was lowered from 7.50% to 7.00%.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Municipal Firefighters' Pension Plan (MFPP) (Continued)

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's Net Pension Liability as of the Measurement Date	6.0% \$ 3,501,100	7.0% \$ 1,333,795	8.0% \$ (464,715)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2021 and the current sharing pattern of costs between employer and employee.

Florida Retirement System (FRS)

Background

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

Background (Continued)

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

The City's pension expense totaled \$461,115 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2021.

Plan Description

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

Plan Description (Continued)

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

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

Benefits Provided

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

Benefits Provided (Continued)

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

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the City, effective July 1, 2020, were applied to employee salaries as follows: regular employees 8.28%, special risk 22.73%, city elected officials 47.46%, senior management 25.57%, and DROP participants 15.32%. The City's contributions to the FRS Plan were \$742,457 for the year ended September 30, 2021.

Pension Costs

At September 30, 2021, the City reported a liability of \$1,443,946 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2021, the City's proportion was 0.019114114%, which was a decrease of 0.001520730% from its proportion measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$256,255 for its proportionate share of FRS's pension expense. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 252,170	\$ -
Changes in Assumptions	987,957	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	5,037,517
Changes in Proportion and Differences between City's Pension Plan Contributions and Proportionate Share of Contributions	733,606	391,929
City Contributions Subsequent to the Measurement Date	205,111	-
Total	<u>\$ 2,178,844</u>	<u>\$ 5,429,446</u>

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Pension Costs (Continued)

The deferred outflows of resources related to the pension plan, totaling \$205,111 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (413,544)
2023	(621,153)
2024	(1,007,627)
2025	(1,367,645)
2026	(45,744)

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

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

Mortality rates were based on the PUB-2010 base table, varies by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return assumption of 6.80 percent consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.30 percent, which is consistent with the 4.17 percent real return from the capital market outlook model developed by the FRS consulting actuary, Milliman; and 2) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2021 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary both components and the overall 6.80 percent return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.80 percent reported investment return assumption is the same as the investment return assumption chosen by the 2021 FRS Actuarial Assumption Conference for funding policy purposes.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.2%

Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's Proportionate Share of the Net Pension Liability	\$ 6,457,012	\$ 1,443,946	\$ (2,746,584)

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

FRS Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

HIS Plan

Plan Description

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

Benefits Provided

For the plan fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a State administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The City's contributions to the HIS Plan were \$91,135 for the year ended September 30, 2021.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

HIS Plan (Continued)

Pension Costs

At September 30, 2021, the City reported a liability of \$1,902,502 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 and update procedures were used to determine the liability as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all participating employers. At June 30, 2021, the City's proportion was 0.015509733%, which was a decrease of 0.000183254% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$204,860 for its proportionate share of HIS's pension expense. In addition, the City reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 63,663	\$ 797
Changes in Assumptions	149,494	78,388
Net Difference between Projected and Actual Earnings on HIS Plan Investments	1,983	-
Changes in Proportion and Differences between City's HIS Plan Contributions and Proportionate Share of Contributions	202,407	45,461
City HIS Plan Contributions Subsequent to the Measurement Date	23,730	-
Total	<u>\$ 441,277</u>	<u>\$ 124,646</u>

The deferred outflows of resources related to the HIS plan, totaling \$23,730 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 108,996
2022	73,463
2023	56,015
2024	34,978
2025	16,939
Thereafter	2,510

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

HIS Plan (Continued)

Actuarial Assumptions

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

Inflation	2.40%
Salary Increases	3.25%, Average, including inflation
Investment Rate of Return	2.16

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

Discount Rate

The discount rate used to measure the total pension liability was 2.16% in the current year and 2.21% in the prior year for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity

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

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
City's Proportionate Share of the Net Pension Liability	\$ 2,199,476	\$ 1,902,502	\$ 1,659,198

Pension Plan Fiduciary Net Position

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

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Summary

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

Description	Police Officers' Retirement Trust Fund	Municipal Firefighters' Pension Plan	FRS Plan	HIS Plan	Total
Net Pension Liability	\$ 1,314,780	\$ 2,504,198	\$ 1,443,946	\$ 1,902,502	\$ 7,165,426
Deferred Outflows of Resources Related to Pensions	940,147	767,499	2,178,844	441,277	4,327,767
Deferred Inflows of Resources Related to Pensions	121,777	-	5,429,446	124,646	5,675,869
Pension Expense	907,475	212,958	256,255	204,860	1,581,548

FRS Investment Plan

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

**CITY OF SEBRING, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

FRS Investment Plan (Continued)

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

The City's Investment Plan pension expense totaled \$105,971 for the year ended September 30, 2021. Employee contributions to the Investment Plan totaled \$29,499 for the year ended September 30, 2021.

NOTE 13 POSTEMPLOYMENT BENEFITS:

Plan Description

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

Funding Policy

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

Employees Covered by Benefit Terms

Inactive Employees or Beneficiaries Currently Receiving Benefits	23
Active Employees	149
Total	172

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 13 POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's total OPEB liability was measured as of September 30, 2021 and was determined by an actuarial valuation as of October 1, 2019, rolled forward to the measurement date of September 30, 2021. The following table shows the County's total OPEB liability for the year ended September 30, 2021.

	Total OPEB Liability
Balance - September 30, 2020	\$ 1,245,495
Changes Recognized for the Fiscal Year:	
Service Cost	18,430
Interest on the Total OPEB Liability	27,534
Changes in Assumptions	(4,723)
Benefit Payments	(86,314)
Net Changes	(45,073)
Balance - September 30, 2021	\$ 1,200,422

Discount Rate Sensitivity

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

	1% Decrease 1.29%	Current Discount Rate 2.29%	1% Increase 3.29%
Total OPEB Liability	\$ 1,365,743	\$ 1,200,422	\$ 1,071,131

Healthcare Trend Rate Sensitivity

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

	1% Decrease in Healthcare Cost Trend Rate 6.00%	Healthcare Cost Trend Rate 7.00%	1% Increase in Healthcare Cost Trend Rate 8.00%
Total OPEB Liability	\$ 1,060,805	\$ 1,200,422	\$ 1,368,688

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 13 POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$108,209. In addition, the City reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 323,468	\$ -

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

Year Ending September 30,	Amount
2022	\$ 62,245
2023	62,245
2024	62,245
2025	62,245
2026	56,149
Thereafter	18,339

Actuarial Assumptions

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

Actuarial Cost Method	Entry age normal as a level percentage of payroll
Discount Rate	2.29%
20-Year Municipal Bond Rate	2.29%
Salary Increases	3.50%
Mortality Rates	Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Table for both pre and post-retirement
Healthcare Cost Trend Rate	7.0%

Changes to the Total OPEB Liability

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of September 30, 2021 (most current quarter available) and rounded to the nearest 0.01%. The current rate is 2.29%, which is a change from the prior year's discount rate of 2.26%.

**CITY OF SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 14 FUND BALANCE DEFICIT

Special Revenue Fund

CDBG Fund – The fund balance deficit of \$360,283 is a result of grant related expenditures not reimbursed by the grantor within the period of availability for governmental funds.

NOTE 15 RELATED PARTY TRANSACTIONS

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

The City contracted with Central Florida Aquatics, Inc., a business owned by a City employee, for aquatic spraying and payments for the year amounted to \$7,182. These services were procured in compliance with the City's purchasing policies and before the employee was hired by the City.

NOTE 16 CONTINGENCIES

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

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

Plan Reporting Period End	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Employer Measurement Date	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability								
Service Cost	\$ 305,103	\$ 403,117	\$ 380,644	\$ 363,014	\$ 335,631	\$ 347,080	\$ 368,970	\$ 363,710
Interest on Total Pension Liability	1,477,163	1,406,362	1,302,386	1,248,993	1,252,158	1,215,355	1,128,981	1,040,362
Differences Between Expected and Actual Experience	173,936	99,215	333,428	164,104	(95,597)	(223,168)	(73,552)	(8,567)
Benefit Payments, Including Refunds of Member Contributions	(999,340)	(596,051)	(579,496)	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Changes of Assumptions	(434,903)	257,450	240,751	221,555	138,404	-	-	-
Net Change in Total Pension Liability	521,959	1,570,093	1,677,713	471,810	206,179	1,089,451	1,172,534	1,163,699
Total Pension Liability - Beginning of Year	20,997,813	19,427,720	17,750,007	17,278,197	17,072,018	15,982,567	14,810,033	13,646,334
Total Pension Liability - End of Year	\$ 21,519,772	\$ 20,997,813	\$ 19,427,720	\$ 17,750,007	\$ 17,278,197	\$ 17,072,018	\$ 15,982,567	\$ 14,810,033
Plan Fiduciary Net Position								
Contributions - City	\$ 880,703	\$ 662,293	\$ 486,016	\$ 374,381	\$ 421,046	\$ 509,592	\$ 575,679	\$ 632,015
Contributions - Member	41,818	50,658	58,476	57,129	55,039	52,066	56,311	56,214
Net Investment Income	3,588,966	1,676,248	709,111	1,278,042	1,836,151	1,053,029	67,689	1,414,767
Benefit Payments, Including Refunds of Member Contributions	(625,425)	(596,051)	(579,496)	(1,525,856)	(1,424,417)	(249,816)	(251,865)	(231,806)
Administrative expense	(44,974)	(47,170)	(45,006)	(32,400)	(31,475)	(28,658)	(22,296)	(16,786)
Net Change in Plan Fiduciary Net Position	3,841,088	1,745,978	629,101	151,296	856,344	1,336,213	425,518	1,854,404
Plan Fiduciary Net Position - Beginning of Year	19,683,033	17,937,055	17,307,954	17,156,658	16,300,314	14,964,101	14,538,583	12,684,179
Plan Fiduciary Net Position - End of Year	\$ 23,524,121	\$ 19,683,033	\$ 17,937,055	\$ 17,307,954	\$ 17,156,658	\$ 16,300,314	\$ 14,964,101	\$ 14,538,583
City's Net Pension (Asset) Liability	\$ (2,004,349)	\$ 1,314,780	\$ 1,490,665	\$ 442,053	\$ 121,539	\$ 771,704	\$ 1,018,466	\$ 271,450
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	109.31%	93.74%	92.33%	97.51%	99.30%	95.48%	93.63%	98.17%
Covered Payroll	\$ 905,113	\$ 1,198,747	\$ 1,169,514	\$ 1,142,576	\$ 1,100,788	\$ 1,041,328	\$ 1,128,134	\$ 1,123,880
City's Net Pension Liability as a Percentage of Covered Payroll	-221.45%	109.68%	127.46%	38.69%	11.04%	74.11%	90.28%	24.15%

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

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

Notes to the Schedule

Changes of Benefit Terms:

There have been no changes in benefit terms.

Changes of Assumptions:

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

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 880,703	\$ 660,575	\$ 486,016	\$ 374,381	\$ 421,046	\$ 509,592	\$ 602,818	\$ 604,876
Contributions in Relation to the Actuarially Determined Contribution	880,703	660,575	486,016	374,381	421,046	509,592	575,679	632,015
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,139	\$ (27,139)
Covered Payroll	\$ 905,113	\$ 1,198,747	\$ 1,169,514	\$ 1,142,576	\$ 1,100,788	\$ 1,041,328	\$ 1,128,134	\$ 1,123,880
Contributions as a Percentage of Covered Payroll	97.30%	55.11%	41.56%	32.77%	38.25%	48.94%	51.03%	56.24%

Notes to Schedule

Valuation date October 1, 2019
Actuarially determined contribution amounts are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Actuarial cost method	Entry Age Normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	2.50% per year
Salary increases, including inflation	5.00%
Investment rate of return	7.10%
Retirement age	Experience-base table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.
Cost-of-living adjustments	3.0% effective each October 1 for service retirees who retire after 9/1/98.

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expenses	7.56%	6.12%	7.41%	7.26%	8.67%	7.72%	0.24%	7.67%

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

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

Plan Reporting Period End	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Employer Measurement Date	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability								
Service Cost	\$ 126,940	\$ 117,662	\$ 110,766	\$ 105,733	\$ 133,362	\$ 124,309	\$ 122,248	\$ 133,195
Interest on Total Pension Liability	1,236,401	1,234,848	1,232,343	1,193,050	1,163,405	1,089,417	1,089,014	1,070,745
Change of Benefit Terms	-	-	(109)	-	-	-	-	-
Differences Between Expected and Actual Experience	12,582	11,806	(45,675)	24,883	164,277	(142,772)	(347,147)	-
Benefit Payments, Including Refunds of Member Contributions	937,724	(971,578)	(1,066,313)	(935,564)	(1,172,459)	(854,991)	(867,149)	(1,011,803)
Changes of Assumptions	(1,001,388)	(149,769)	163,355	176,094	189,466	866,110	-	151,324
Net Change in Total Pension Liability	1,312,259	242,969	394,367	564,196	478,051	1,082,073	(3,034)	343,461
Total Pension Liability - Beginning of Year	16,859,100	16,616,131	16,221,764	15,657,568	15,179,515	14,097,442	14,100,476	13,757,015
Total Pension Liability - End of Year	\$ 18,171,359	\$ 16,859,100	\$ 16,616,131	\$ 16,221,764	\$ 15,657,566	\$ 15,179,515	\$ 14,097,442	\$ 14,100,476
Plan Fiduciary Net Position								
Contributions - City	\$ 759,823	\$ 689,652	\$ 626,330	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions - Member	18,097	18,604	17,583	17,129	17,940	22,149	21,222	20,518
Net Investment Income	2,748,391	1,254,809	569,452	912,482	1,242,879	895,002	42,513	856,594
Benefit Payments, Including Refunds of Member Contributions	(1,002,709)	(971,578)	(1,066,313)	(935,564)	(1,172,457)	(854,991)	(867,149)	(1,011,803)
Administrative Expense	(40,940)	(38,906)	(36,287)	(44,288)	(55,704)	(36,940)	(17,129)	(29,663)
Net Change in Plan Fiduciary Net Position	2,482,662	952,581	110,765	569,910	452,299	506,125	(221,334)	516,845
Plan Fiduciary Net Position - Beginning of Year	14,354,902	13,402,321	13,291,556	12,721,646	12,269,347	11,763,222	11,984,556	11,467,711
Plan Fiduciary Net Position - End of Year	\$ 16,837,564	\$ 14,354,902	\$ 13,402,321	\$ 13,291,556	\$ 12,721,646	\$ 12,269,347	\$ 11,763,222	\$ 11,984,556
City's Net Pension (Asset) Liability	\$ 1,333,795	\$ 2,504,198	\$ 3,213,810	\$ 2,930,208	\$ 2,935,920	\$ 2,910,168	\$ 2,334,220	\$ 2,115,920
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.66%	85.15%	80.66%	81.94%	81.25%	80.83%	83.44%	84.99%
Covered Payroll	\$ 278,413	\$ 286,212	\$ 270,508	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
City's Net Pension Liability as a Percentage of Covered Payroll	479.07%	874.95%	1188.06%	1111.94%	1011.71%	854.06%	697.39%	670.31%

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

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

Notes to the Schedule

Changes of Benefit Terms:

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

Changes of Assumptions:

Changes in investment rate of return are as follows:

<i>Change of Assumptions:</i> Plan Reporting Period End	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Investment Rate of Return	7.0%	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%	8.0%
Change in Rate	-50.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	0.0%	0.0%

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

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 759,823	\$ 689,652	\$ 626,330	\$ 620,151	\$ 419,641	\$ 480,905	\$ 599,209	\$ 681,199
Contributions in Relation to the Actuarially Determined Contribution	759,823	689,652	626,330	620,151	419,641	480,905	599,209	681,199
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 278,413	\$ 286,212	\$ 270,508	\$ 263,521	\$ 290,195	\$ 340,746	\$ 334,708	\$ 315,662
Contributions as a Percentage of Covered Payroll	272.91%	240.96%	231.54%	235.33%	144.61%	141.13%	179.02%	215.80%

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

Notes to Schedule

Valuation date October 1, 2019
Actuarially determined contribution amounts are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Funding method Frozen Entry Age Actuarial Cost Method. The following loads are utilized for determination of the total required contribution:
Interest - None, assuming a lump sum City deposit at the beginning of each fiscal year.
Salary - a full-year, based on the current 7.0% assumptions.

Amortization method Level % of pay, closed
Remaining amortization period 24 years as of 10/1/2018 valuation
Actuarial asset method The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value returns (net of fees). Over time, this may result in an insignificant bias above or below the Market Value of Assets.

Interest rate 7.0% per year compounded annually, net of investment related expenses.
Salary increases 7.0% per year to the assumed retirement age. Projected salary at retirement is increased based on pensionable lump sums provided by the City as of May 7, 2013 to account for non-regular payments..

Payroll growth None
Cost-of-living adjustments Hired before 6/30/71 - 4% per year following commencement of benefits.
Hired after 6/30/71 -3% per year following commencement of benefits.

Retirement Age Earlier of age 55 and 10 years of service or 25 years of service regardless of age.
Early Retirement Commencing at the member's eligibility for Early Retirement (age 45).
Termination Rates See table below.
Disability Rates See table below.
Mortality *Healthy Active Lives:*
Male: PubS.H-2010 (Below Median) for Employees, set forward one year
Female: PubS.H-2010 for Empliyees, set forward one year
Healthy Inactive Lives:
Male: PubS.H-2010 for Healthy Retirees, set forward one year
Female: PubS.H-2010 for Healthy Retirees, set forward one year
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

Other Information Termination and Disability Rate Table

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expenses	18.85%	9.24%	4.72%	7.12%	10.32%	7.61%	0.35%	7.63%

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

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

	2021	2020	2019	2018	2017	2016	2015
City of Sebring's Proportion of the Net Pension Liability	0.019114114%	0.020634843%	0.019911948%	0.188798000%	0.147228000%	0.008164600%	0.008038500%
City of Sebring's Proportionate Share of the Net Pension Liability	\$ 1,443,946	\$ 8,943,445	\$ 6,857,200	\$ 5,686,695	\$ 4,354,915	\$ 2,061,574	\$ 1,038,279
City of Sebring's Covered Payroll	\$ 5,494,186	\$ 5,446,588	\$ 5,123,628	\$ 5,123,628	\$ 4,372,065	\$ 3,458,477	\$ 3,096,064
City of Sebring's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	26.28%	164.20%	133.83%	110.99%	99.61%	59.61%	33.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

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

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

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

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 742,457	\$ 725,370	\$ 633,113	\$ 551,916	\$ 448,924	\$ 195,367	\$ 195,985
Contributions in Relation to the Contractually Required Contribution	<u>742,457</u>	<u>725,370</u>	<u>633,113</u>	<u>551,916</u>	<u>448,924</u>	<u>195,367</u>	<u>195,985</u>
Contribution Excess (Deficiency)	<u>\$ -</u>						
City's Covered Payroll	\$ 5,498,969	\$ 5,634,213	\$ 5,431,331	\$ 5,146,259	\$ 4,734,451	\$ 3,403,190	\$ 3,105,524
Contributions as a Percentage of Covered Payroll	13.50%	12.87%	11.66%	10.72%	9.48%	5.74%	6.31%

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

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

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

	2021	2020	2019	2018	2017	2016	2015
City of Sebring's Proportion of the Net Pension Liability	0.015509733%	0.015692987%	0.016055584%	0.015687000%	0.013713900%	0.111960000%	0.010205100%
City of Sebring's Proportionate Share of the Net Pension Liability	\$ 1,902,502	\$ 1,916,088	\$ 1,796,458	\$ 1,660,326	\$ 1,466,356	\$ 1,304,843	\$ 1,040,764
City of Sebring's Covered Payroll	\$ 5,494,186	\$ 5,446,588	\$ 5,123,628	\$ 5,123,628	\$ 4,372,065	\$ 3,458,477	\$ 3,105,524
City of Sebring's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	34.63%	35.18%	35.06%	32.41%	33.54%	37.73%	33.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

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

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

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 91,135	\$ 93,595	\$ 90,160	\$ 85,428	\$ 78,596	\$ 56,493	\$ 39,010
Contributions in Relation to the Contractually Required Contribution	91,135	93,595	90,160	85,428	78,596	56,493	39,010
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 5,498,969	\$ 5,634,213	\$ 5,431,331	\$ 5,146,259	\$ 4,734,451	\$ 3,403,190	\$ 3,105,524
Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 18,430	\$ 17,789	\$ 13,287	\$ 12,659
Interest on the Total OPEB Liability	27,534	28,113	27,979	34,551
Changes in Assumptions	(4,723)	392,736	70,113	-
Benefit Payments	<u>(86,314)</u>	<u>(88,699)</u>	<u>(96,487)</u>	<u>(104,919)</u>
Net Change in Total OPEB Liability	(45,073)	349,939	14,892	(57,709)
Total OPEB Liability - Beginning of Year, as Restated	<u>1,245,495</u>	<u>895,556</u>	<u>880,664</u>	<u>938,373</u>
Total OPEB Liability - End of Year	<u><u>\$ 1,200,422</u></u>	<u><u>\$ 1,245,495</u></u>	<u><u>\$ 895,556</u></u>	<u><u>\$ 880,664</u></u>
Covered Employee Payroll	\$ 6,649,500	\$ 6,649,500	\$ 6,007,527	\$ 6,007,527
Total OPEB Liability as a Percentage of Covered Employee Payroll	18.05%	18.73%	14.91%	14.66%

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

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

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

Notes to the Schedule

The OPEB plan is not administered through a trust.

Changes of Benefit Terms:

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

Changes of Assumptions:

For September 30, 2021, the discount rate was changed to 2.29%.

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

**CITY OF SEBRING, FLORIDA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2021**

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
ASSETS			
Cash and Cash Equivalents	\$ 865,540	\$ 581,701	\$ 1,447,241
Receivables, Net	147,630	7,235	154,865
Total Assets	1,013,170	588,936	1,602,106
LIABILITIES			
Accounts Payable	387,343	5,714	393,057
Unearned Revenues	1,952	-	1,952
Total Liabilities	389,295	5,714	395,009
NET POSITION			
Unrestricted	\$ 623,875	\$ 583,222	\$ 1,207,097

**CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2021**

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
OPERATING REVENUES			
Charges for Services	\$ 2,278,903	\$ 876,000	\$ 3,154,903
OPERATING EXPENSES			
General and Administrative	77,774	2,574	80,348
Insurance	429,838	861,986	1,291,824
Claims Expense	2,085,443	67,313	2,152,756
Total Operating Expenses	<u>2,593,055</u>	<u>931,873</u>	<u>3,524,928</u>
OPERATING LOSS	(314,152)	(55,873)	(370,025)
NONOPERATING REVENUES			
Investment Earnings	1,322	1,467	2,789
Insurance Proceeds	-	106,851	106,851
Total Nonoperating Revenues	<u>1,322</u>	<u>108,318</u>	<u>109,640</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(312,830)	52,445	(260,385)
TRANSFERS			
Transfers Out	<u>-</u>	<u>(21,272)</u>	<u>(21,272)</u>
CHANGE IN NET POSITION	(312,830)	31,173	(281,657)
Total Net Position - Beginning of Year	<u>936,705</u>	<u>552,049</u>	<u>1,488,754</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 623,875</u>	<u>\$ 583,222</u>	<u>\$ 1,207,097</u>

**CITY OF SEBRING, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2021**

	Internal Service Funds		
	Health Insurance	Risk Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Users	\$ 2,184,825	\$ 910,187	\$ 3,095,012
Cash Received from Insurance	352,742	-	352,742
Cash Payments for Supplies and Claims	(2,557,910)	(954,721)	(3,512,631)
Net Cash Used by Operating Activities	<u>(20,343)</u>	<u>(44,534)</u>	<u>(64,877)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to Other Funds	<u>-</u>	<u>(21,272)</u>	<u>(21,272)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Received from Insurance	<u>-</u>	<u>106,851</u>	<u>106,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	<u>1,322</u>	<u>1,467</u>	<u>2,789</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,021)	42,512	23,491
Cash and Cash Equivalents – Beginning of Year	<u>884,561</u>	<u>539,189</u>	<u>1,423,750</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>\$ 865,540</u></u>	<u><u>\$ 581,701</u></u>	<u><u>\$ 1,447,241</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (314,152)	\$ (55,873)	\$ (370,025)
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities:			
(Increase) Decrease in Assets:			
Accounts Receivable	5,084	34,187	39,271
Due from Other Funds	253,473	-	253,473
Due from Other Governments	4,526	-	4,526
Increase (Decrease) in Liabilities:			
Accounts Payable	218,062	(22,848)	195,214
Accrued Expenses	(182,917)	-	(182,917)
Unearned Revenue	(4,419)	-	(4,419)
Net Cash Used by Operating Activities	<u><u>\$ (20,343)</u></u>	<u><u>\$ (44,534)</u></u>	<u><u>\$ (64,877)</u></u>

Honorable Mayor and City Council
City of Sebring, Florida

Compliance and Other Matters

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

City of Sebring's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Sebring, Florida
July 15, 2022

Financial Condition and Management

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

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

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

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit with the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes. As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the City of Sebring Community Redevelopment Agency reported their required information in their audit report.

Additional Matters

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

Purpose of this Letter

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



CliftonLarsonAllen LLP

Sebring, Florida
July 15, 2022

**CITY OF SEBRING, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2021**

2021-001 – Timeliness of Financial Reporting

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

Condition: The City's annual financial statements were not completed by the statutory deadline.

Criteria or specific requirement: City management is responsible for establishing and maintaining internal controls over the financial statement close and reporting processes.

Effect: The City has not complied with Sections 218.32 and 218.39, Florida Statutes, which require that Florida local governments complete an annual audit and submit a financial report no later than nine months after the end of the fiscal year.

Cause: The City experienced turnover in accounting personnel which caused delays in completing the year end closing process necessary to prepare the financial statements and complete the audit.

Repeat Finding: This finding did not occur in the prior year.

Recommendation: The City should ensure that sufficient internal and external resources are in place to complete the year end closing process and preparation for the audit.

Views of responsible officials and planned corrective actions: City management agrees with the finding and will ensure sufficient internal and external resources are in place to complete the year end closing process timely for audit preparation as required by Florida Statutes 218.32 and 218.39.



INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Sebring, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the fiscal year ended September 30, 2021. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
July 15, 2022