

Annual Financial Report

September 30, 2021



Town of Montverde, Florida

INTRODUCTORY SECTION

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Town of Montverde, Florida
List of Principal Officials

MAYOR

Joe Wynkoop

TOWN COUNCIL

| | |
|--------------|------------------------|
| Judy Smith | Council President |
| Allan Hartle | Council Vice President |
| Billy Bates | Council Member |
| Jim Ley | Council Member |

Town Manager
Paul Larino

Town Clerk
Sandy Johnson

Finance/Accounting
B.J. Cowan

FINANCIAL SECTION



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Orlando, Florida 32803
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Montverde, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the *Town of Montverde, Florida*, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of *Town of Montverde*, 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 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 Management's Discussion and Analysis, and pension plan disclosures on page 3 through 10 and 37 through 38 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 *Town of Montverde's* basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2022 on our consideration of *Town of Montverde'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 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 *Town of Montverde's* internal control over financial reporting and compliance.

McDiarmid Davis

Orlando, Florida
June 29, 2022

As management of the *Town of Montverde, Florida* we offer readers of the *Town of Montverde's* financial statements this narrative overview and analysis of the financial activities of the *Town of Montverde* for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets and deferred outflows of the *Town of Montverde* exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$6,463,968 (net position). Of this amount, \$1,719,707 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$344,642.
- As of the close of the current fiscal year, the *Town of Montverde's* governmental funds reported combined ending fund balances of \$2,499,317, an increase of \$174,231 in comparison with the prior year. Approximately 78% of this total amount, \$1,948,811, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,948,811, or 115% of total general fund expenditures.

Overview of the Financial Statements

The financial statements focus on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the Town's accountability.

This discussion and analysis are intended to serve as an introduction to the *Town of Montverde's* (the Town) basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the *Town of Montverde's* financial position, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities*.

The *Statement of Net Position* presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the *Town of Montverde* 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 *Town of Montverde* include general government, public safety, physical environment, transportation, and culture and recreation services. The business-type activities of the *Town of Montverde* include the Water Utility.

The government-wide financial statements include only the Town of Montverde itself (known as the primary government).

The government-wide financial statements can be found on pages 11 - 12 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The *Town of Montverde* maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and ARPA Special Revenue Fund which are considered to be major funds.

The *Town of Montverde* adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 16.

The basic governmental fund financial statements can be found on pages 13 - 15 of this report.

Proprietary Funds

Town of Montverde maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The *Town of Montverde* uses an enterprise fund to account for the Water Utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide more detailed information for the Water Utility.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 20 - 36 of this report

Required Supplementary Information (RSI)

RSI can be found on page 37 - 38 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the *Town of Montverde*, assets exceeded liabilities by \$6,463,968 at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior year. For more detail see the Statement of Net Position on page 11.

Statement of Net Position as of September 30:

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------|--------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|--------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets: | | | | | | |
| Current and other assets | \$3,059,946 | \$2,362,334 | \$ 154,426 | \$ 164,505 | \$3,214,372 | \$2,526,839 |
| Capital assets | 2,174,065 | 2,159,194 | 1,864,813 | 1,854,949 | 4,038,878 | 4,014,143 |
| Total Assets | 5,234,011 | 4,521,528 | 2,019,239 | 2,019,454 | 7,253,250 | 6,540,982 |
| Deferred Outflows | 190,713 | 53,726 | 43,057 | 34,942 | 233,770 | 88,668 |
| Liabilities: | | | | | | |
| Long term liabilities | 150,626 | 158,989 | 34,006 | 103,399 | 184,632 | 262,388 |
| Other liabilities | 518,129 | 37,248 | 82,646 | 190,272 | 600,775 | 227,520 |
| Total Liabilities | 668,755 | 196,237 | 116,652 | 293,671 | 785,407 | 489,908 |
| Deferred Inflows | 193,875 | 12,371 | 43,770 | 8,045 | 237,645 | 20,416 |
| Net Position: | | | | | | |
| Net investment in capital assets | 2,174,065 | 2,159,194 | 1,864,813 | 1,854,949 | 4,038,878 | 4,014,143 |
| Restricted | 550,506 | 834,019 | 154,877 | - | 705,383 | 834,019 |
| Unrestricted | 1,837,523 | 1,373,433 | (117,816) | (102,269) | 1,719,707 | 1,271,164 |
| Total Net Position | \$4,562,094 | \$4,366,646 | \$1,901,874 | \$1,752,680 | \$6,463,968 | \$6,119,326 |

\$4,038,878 (62%) of the Town's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town has no long-term debt.

Net position that are subject to external restrictions as to how they may be used total \$705,383 (11%). The remaining balance of *unrestricted net position* (\$1,719,707 or 27%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town's net position increased by \$344,642 during the current fiscal year. The following table reflects the condensed Statement of Activities for the current year. For more detail see the Statement of Activities on page 12.

Town of Montverde, Florida
Management's Discussion and Analysis

Changes in Net Position as of September 30:

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|-------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues - | | | | | | |
| Charges for services | \$ 586,116 | \$ 511,418 | \$ 441,960 | \$ 477,524 | \$ 1,028,076 | \$ 988,942 |
| Operating grants and contributions | 233,410 | 344,828 | - | - | 233,410 | 344,828 |
| Capital grants and contributions | - | - | 97,456 | 53,496 | 97,456 | 53,496 |
| General revenues - | | | | | | |
| Property taxes | 305,570 | 305,848 | - | - | 305,570 | 305,848 |
| Franchise and utility Taxes | 283,815 | 266,816 | - | - | 283,815 | 266,816 |
| Intergovernmental | 401,533 | 347,269 | - | - | 401,533 | 347,269 |
| Investment income and miscellaneous | 81,238 | 21,067 | - | - | 81,238 | 21,067 |
| Total revenues | 1,891,682 | 1,797,246 | 539,416 | 531,020 | 2,431,098 | 2,328,266 |
| Expenses: | | | | | | |
| General government | 692,038 | 433,687 | - | - | 692,038 | 433,687 |
| Public safety | 269,160 | 267,068 | - | - | 269,160 | 267,068 |
| Physical environment | 196,070 | 177,509 | - | - | 196,070 | 177,509 |
| Transportation | 210,497 | 277,700 | - | - | 210,497 | 277,700 |
| Culture and recreation | 328,469 | 353,060 | - | - | 328,469 | 353,060 |
| Water | - | - | 390,222 | 546,607 | 390,222 | 546,607 |
| Total expenses | 1,696,234 | 1,509,024 | 390,222 | 546,607 | 2,086,456 | 2,055,631 |
| Increase (Decrease) in Net Position | 195,448 | 288,222 | 149,194 | (15,587) | 344,642 | 272,635 |
| Net position, October 1 | 4,366,646 | 4,078,424 | 1,752,680 | 1,768,267 | 6,119,326 | 5,846,691 |
| Net position, September 30 | \$ 4,562,094 | \$ 4,366,646 | \$ 1,901,874 | \$ 1,752,680 | \$ 6,463,968 | \$ 6,119,326 |

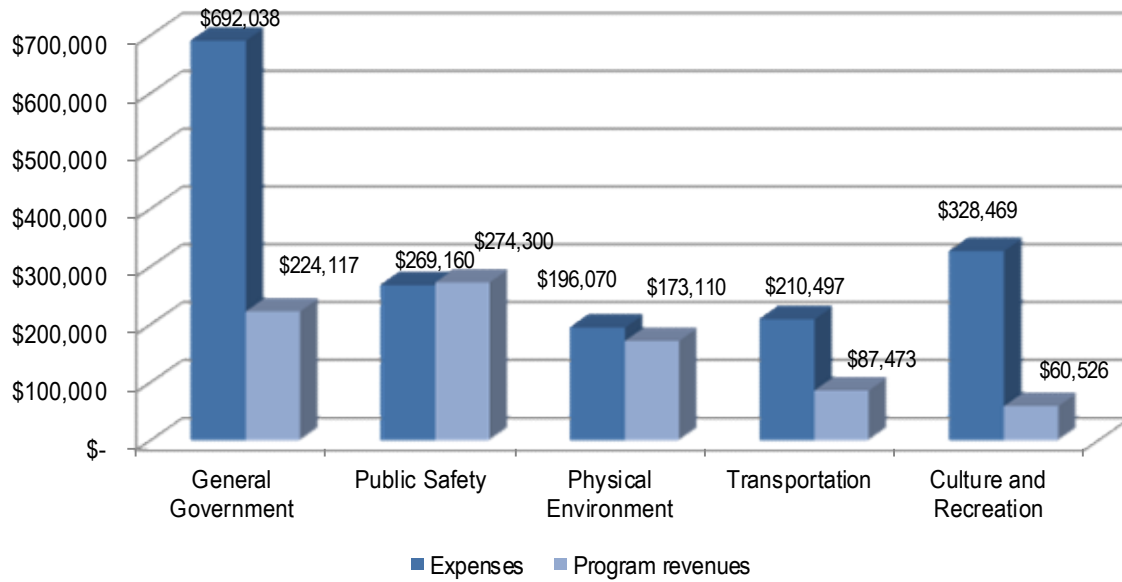
Governmental Activities

Governmental activities increased the *Town of Montverde's* net position by \$195,448. This increase was primarily due to the increase in intergovernmental revenue.

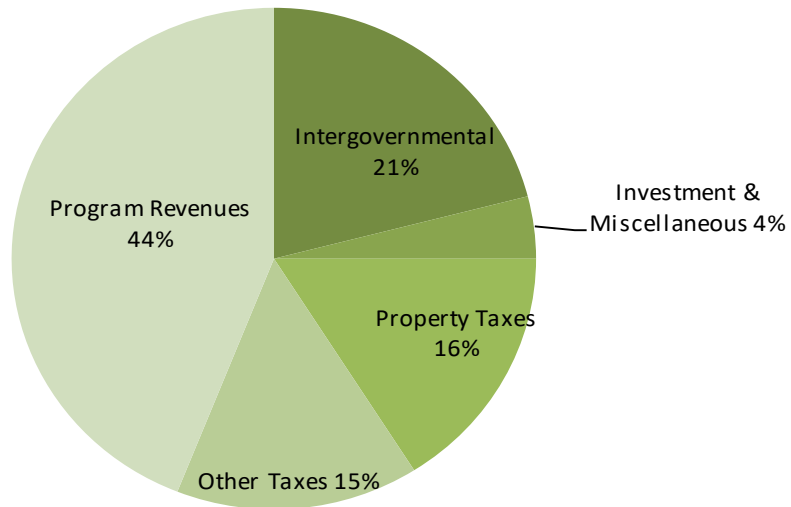
Business-Type Activities

Business-type activities increased the *Town of Montverde's* net position by \$149,194. This increase was primarily due to the decrease in expenses.

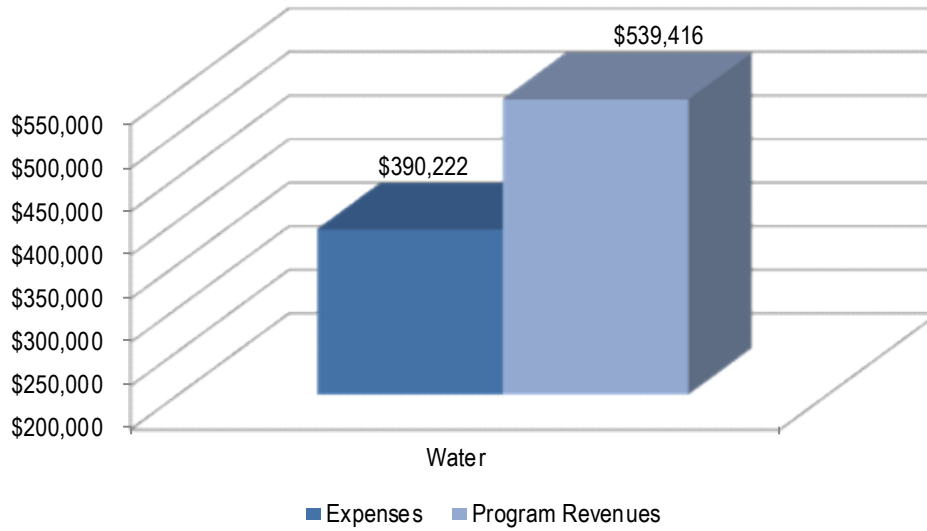
Expenses and Program Revenues - Governmental Activities



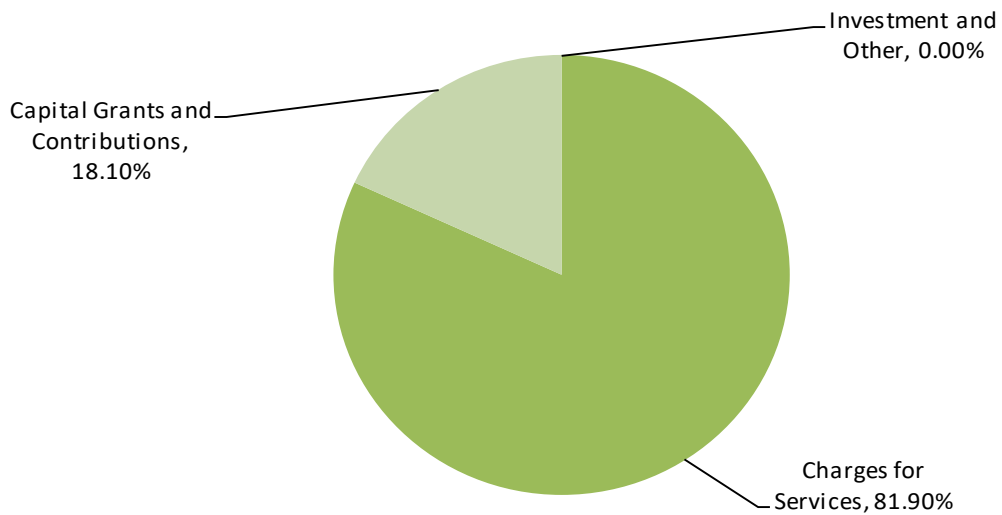
Revenue by Source - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the *Town of Montverde* uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the *Town of Montverde's* financing requirements. In particular, *unassigned 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 the end of the current fiscal year, the *Town of Montverde's* governmental funds reported combined ending fund balances of \$2,499,317, an increase of \$174,231 in comparison with the prior year. Approximately 78% or \$1,948,811 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or assigned to indicate that it is restricted for particular purposes is \$550,506.

The general fund is the chief operating fund of the *Town of Montverde*. 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 and total fund balance represent 115% and 147% respectively, of total General Fund expenditures.

The fund balance of the general fund increased by \$174,231 during the current fiscal year. This can primarily be attributed to higher than expected grant revenues.

Proprietary Funds

The *Town of Montverde's* proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the year-end amounted to \$(117,816). The total increase in net position for this fund was \$149,194. Other factors concerning the finances of these funds have already been addressed in the discussion of the *Town of Montverde's* business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues were \$469,771 more than budgeted revenues and actual expenditures were \$83,141 less than budgeted expenditures. The difference between the original General Fund budget and the final amended General Fund budget resulted in no difference in appropriations from fund balance.

Capital Asset and Debt Administration

The *Town of Montverde's* investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$4,038,878 (net of accumulated depreciation), for an increase of \$25,735 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and intangibles. The total increase in the Town's investment in capital assets for the current fiscal year was .62% (a .69% increase for governmental activities, and .53% increase for business-type activities).

Capital Assets (Net of Depreciation) as of September 30:

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 490,804 | \$ 490,804 | \$ 300,963 | \$ 300,963 | \$ 791,767 | \$ 791,767 |
| Work-in-Progress | - | - | 85,151 | 20,801 | 85,151 | 20,801 |
| Buildings | 616,092 | 640,843 | - | - | 616,092 | 640,843 |
| Improvements | 556,727 | 525,025 | - | - | 556,727 | 525,025 |
| Infrastructure | 365,301 | 390,921 | 1,233,272 | 1,303,352 | 1,598,573 | 1,694,273 |
| Equipment | 138,476 | 103,963 | 235,000 | 217,880 | 373,476 | 321,843 |
| Intangibles | 6,665 | 7,638 | 10,427 | 11,953 | 17,092 | 19,591 |
| Total | \$ 2,174,065 | \$ 2,159,194 | \$ 1,864,813 | \$ 1,854,949 | \$ 4,038,878 | \$ 4,014,143 |

Additional information on the *Town of Montverde's* capital assets can be found in Note 5 of this report.

Long-Term Debt

The Town has no long-term debt outstanding at September 30, 2021.

Next Year's Budget and Rates

During the current fiscal year, the unassigned fund balance in the General Fund totaled \$1,948,811. None of the unassigned fund balance is budgeted for appropriations in the 2022 budget. The Town is expecting to incur enough revenues in 2022 to cover expenditures to mitigate any need to draw on 2021 unassigned fund balance.

Requests for Information

This financial report is designed to provide a general overview of the *Town of Montverde's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Town Clerk, *Town of Montverde*, 17404 6th Street, Montverde, FL 34756.

BASIC FINANCIAL STATEMENTS

Town of Montverde, Florida
Statement of Net Position
September 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 2,942,870 | \$ 114,801 | \$ 3,057,671 |
| Receivables, net | 42,118 | 39,625 | 81,743 |
| Due from other governments | 74,958 | - | 74,958 |
| Capital Assets: | | | |
| Capital assets not being depreciated | 490,804 | 386,114 | 876,918 |
| Capital assets, net of accumulated depreciation | 1,683,261 | 1,478,699 | 3,161,960 |
| Total assets | 5,234,011 | 2,019,239 | 7,253,250 |
| Deferred Outflows of Resources: | | | |
| Deferred outflows of pension earnings | 190,713 | 43,057 | 233,770 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | 91,151 | 7,055 | 98,206 |
| Deposits payable | - | 75,591 | 75,591 |
| Unearned revenue | 426,978 | - | 426,978 |
| Noncurrent Liabilities: | | | |
| Net pension liability | 150,626 | 34,006 | 184,632 |
| Total liabilities | 668,755 | 116,652 | 785,407 |
| Deferred Inflows of Resources: | | | |
| Deferred inflows of pension earnings | 193,875 | 43,770 | 237,645 |
| Net Position: | | | |
| Net investment in capital assets | 2,174,065 | 1,864,813 | 4,038,878 |
| Restricted for: | | | |
| Historical | 3,636 | - | 3,636 |
| Police | 6,435 | - | 6,435 |
| Infrastructure | 372,032 | - | 372,032 |
| Impact fees | 168,403 | 154,877 | 323,280 |
| Unrestricted | 1,837,523 | (117,816) | 1,719,707 |
| Total net position | \$ 4,562,094 | \$ 1,901,874 | \$ 6,463,968 |

Town of Montverde, Florida
Statement of Activities
Year Ended September 30, 2021

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 692,038 | \$ 224,117 | \$ - | \$ - | \$ (467,921) | \$ - | \$ (467,921) |
| Public Safety | 269,160 | 132,795 | 141,505 | - | 5,140 | - | 5,140 |
| Physical Environment | 196,070 | 173,110 | - | - | (22,960) | - | (22,960) |
| Transportation | 210,497 | 21,577 | 65,896 | - | (123,024) | - | (123,024) |
| Culture and Recreation | 328,469 | 34,517 | 26,009 | - | (267,943) | - | (267,943) |
| Total governmental activities | <u>1,696,234</u> | <u>586,116</u> | <u>233,410</u> | <u>-</u> | <u>(876,708)</u> | <u>-</u> | <u>(876,708)</u> |
| Business-type activities: | | | | | | | |
| Water | 390,222 | 441,960 | - | 97,456 | - | 149,194 | 149,194 |
| Total business-type activities | <u>390,222</u> | <u>441,960</u> | <u>-</u> | <u>97,456</u> | <u>-</u> | <u>149,194</u> | <u>149,194</u> |
| Total primary government | <u>\$ 2,086,456</u> | <u>\$ 1,028,076</u> | <u>\$ 233,410</u> | <u>\$ 97,456</u> | <u>(876,708)</u> | <u>149,194</u> | <u>(727,514)</u> |
| General Revenues: | | | | | | | |
| Property taxes | | | | | 305,570 | - | 305,570 |
| Franchise and utility taxes | | | | | 283,815 | - | 283,815 |
| Intergovernmental | | | | | 401,533 | - | 401,533 |
| Unrestricted investment earnings | | | | | 5,368 | - | 5,368 |
| Miscellaneous | | | | | 12,809 | - | 12,809 |
| Gain on sale of capital assets | | | | | 63,061 | - | 63,061 |
| Total general revenues | | | | | <u>1,072,156</u> | <u>-</u> | <u>1,072,156</u> |
| Change in net position | | | | | 195,448 | 149,194 | 344,642 |
| Net position, beginning | | | | | 4,366,646 | 1,752,680 | 6,119,326 |
| Net position, ending | | | | | <u>\$ 4,562,094</u> | <u>\$ 1,901,874</u> | <u>\$ 6,463,968</u> |

Town of Montverde, Florida
Balance Sheet - Governmental Funds
September 30, 2021

| | <u>General Fund</u> | <u>ARPA Fund</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------|---------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,515,892 | \$ 426,978 | \$ 2,942,870 |
| Accounts receivable, net | 42,118 | - | 42,118 |
| Due from other governments | 74,958 | - | 74,958 |
| Total assets | <u>\$ 2,632,968</u> | <u>\$ 426,978</u> | <u>\$ 3,059,946</u> |
| Liabilities | | | |
| Accounts payable | \$ 74,422 | \$ - | \$ 74,422 |
| Other accrued expenses | 16,729 | - | 16,729 |
| Unearned revenue | - | 426,978 | 426,978 |
| Total liabilities | <u>91,151</u> | <u>426,978</u> | <u>518,129</u> |
| Deferred Inflows | | | |
| Unavailable revenue | <u>42,500</u> | <u>-</u> | <u>42,500</u> |
| Fund Balances | | | |
| Restricted: | | | |
| Historical | 3,636 | - | 3,636 |
| Police | 6,435 | - | 6,435 |
| Infrastructure | 372,032 | - | 372,032 |
| Impact Fees | 168,403 | - | 168,403 |
| Unassigned | <u>1,948,811</u> | <u>-</u> | <u>1,948,811</u> |
| Total fund balances | <u>2,499,317</u> | <u>-</u> | <u>2,499,317</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 2,632,968</u> | <u>\$ 426,978</u> | <u>\$ 3,059,946</u> |

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

| | |
|---|---------------------|
| Total fund balance, governmental funds | \$ 2,499,317 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. | 2,174,065 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds | 42,500 |
| Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting | (3,162) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | <u>(150,626)</u> |
| Net position of Governmental Activities | <u>\$ 4,562,094</u> |

Town of Montverde, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2021

| | <u>General Fund</u> | <u>ARPA Fund</u> | <u>Total Governmental Funds</u> |
|--|---------------------|------------------|---------------------------------|
| Revenues: | | | |
| Taxes: | | | |
| Property | \$ 305,570 | \$ - | \$ 305,570 |
| Franchise and utility | 283,815 | - | 283,815 |
| Fees and fines | 970 | - | 970 |
| Special assessments | 95,258 | - | 95,258 |
| Intergovernmental | 634,943 | - | 634,943 |
| Charges for services | 489,888 | - | 489,888 |
| Investment earnings | 5,368 | - | 5,368 |
| Miscellaneous | 55,309 | - | 55,309 |
| Total revenues | <u>1,871,121</u> | <u>-</u> | <u>1,871,121</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 677,258 | - | 677,258 |
| Public safety | 256,406 | - | 256,406 |
| Physical environment | 196,070 | - | 196,070 |
| Transportation | 270,488 | - | 270,488 |
| Culture and recreation | 296,668 | - | 296,668 |
| Total expenditures | <u>1,696,890</u> | <u>-</u> | <u>1,696,890</u> |
| Excess (deficiency) of revenues over expenditures | <u>174,231</u> | <u>-</u> | <u>174,231</u> |
| Net change in fund balances | 174,231 | - | 174,231 |
| Fund balances, beginning | 2,325,086 | - | 2,325,086 |
| Fund balances, ending | <u>\$ 2,499,317</u> | <u>\$ -</u> | <u>\$ 2,499,317</u> |

Town of Montverde, Florida
**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**
Year Ended September 30, 2021

| | | |
|--|----|---------|
| Net Change in Fund Balances - total governmental funds | \$ | 174,231 |
|--|----|---------|

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation expense exceeded capital outlays in the current period.

| | | |
|----------------------|--|-----------|
| Capital outlay | | 164,886 |
| Depreciation expense | | (128,076) |

| | | |
|--|--|----------|
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net position. | | (21,939) |
|--|--|----------|

| | | |
|--|--|--------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 42,500 |
|--|--|--------|

| | | |
|--|--|----------|
| Governmental funds report cash contributions to pensions as expenditures because they consume current financial resources. The Statement of Activities reports the change in pension liability and related deferrals as pension expense. This is the amount of the difference between the two amounts. | | (36,154) |
|--|--|----------|

| | | |
|--|-----------|----------------|
| Change in net position of governmental activities | \$ | 195,448 |
|--|-----------|----------------|

Town of Montverde, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2021

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|------------------------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 316,400 | \$ 316,400 | \$ 305,570 | \$ (10,830) |
| Franchise and utility | 265,000 | 265,000 | 283,815 | 18,815 |
| Special assessments | 90,000 | 90,000 | 95,258 | 5,258 |
| Fees and fines | 1,350 | 1,350 | 970 | (380) |
| Intergovernmental | 381,950 | 381,950 | 634,943 | 252,993 |
| Charges for services | 324,950 | 324,950 | 489,888 | 164,938 |
| Investment earnings | 5,000 | 5,000 | 5,368 | 368 |
| Miscellaneous | 16,700 | 16,700 | 55,309 | 38,609 |
| Total revenues | 1,401,350 | 1,401,350 | 1,871,121 | 469,771 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 485,846 | 695,621 | 677,258 | 18,363 |
| Public safety | 265,530 | 289,300 | 256,406 | 32,894 |
| Physical environment | 166,925 | 190,000 | 196,070 | (6,070) |
| Transportation | 218,444 | 275,000 | 270,488 | 4,512 |
| Culture and recreation | 264,605 | 330,110 | 296,668 | 33,442 |
| Total expenditures | 1,401,350 | 1,780,031 | 1,696,890 | 83,141 |
| Excess (deficiency) of revenues over expenditures | - | (378,681) | 174,231 | 552,912 |
| Net change in fund balances | - | (378,681) | 174,231 | 552,912 |
| Fund balance, beginning | 2,325,086 | 2,325,086 | 2,325,086 | - |
| Fund balance, ending | \$ 2,325,086 | \$ 1,946,405 | \$ 2,499,317 | \$ 552,912 |

Town of Montverde, Florida
Statement of Net Position - Proprietary Fund
September 30, 2021

| | <u>Water Fund</u> |
|--|---------------------|
| Assets: | |
| Current Assets: | |
| Cash and cash equivalents | \$ 114,801 |
| Accounts receivable, net | 39,625 |
| Total current assets | <u>154,426</u> |
| Noncurrent assets: | |
| Capital Assets: | |
| Land | 300,963 |
| Work-In Progress | 85,151 |
| Infrastructure | 2,378,248 |
| Intangible assets | 15,259 |
| Machinery and equipment | 395,546 |
| Less accumulated depreciation | <u>(1,310,354)</u> |
| Total noncurrent assets | <u>1,864,813</u> |
| Total assets | <u>2,019,239</u> |
| Deferred outflows of resources: | |
| Deferred outflows of pension earnings | <u>43,057</u> |
| Liabilities: | |
| Current Liabilities: | |
| Accounts payable | 1,309 |
| Accrued liabilities | 5,746 |
| Customer deposits payable | <u>75,591</u> |
| Total current liabilities | <u>82,646</u> |
| Noncurrent liabilities: | |
| Net pension liability | <u>34,006</u> |
| Total noncurrent liabilities | <u>34,006</u> |
| Total liabilities | <u>116,652</u> |
| Deferred inflows of resources: | |
| Deferred inflows of pension earnings | <u>43,770</u> |
| Net Position: | |
| Net investment in capital assets | 1,864,813 |
| Restricted for capital projects | 154,877 |
| Unrestricted | <u>(117,816)</u> |
| Total net position | <u>\$ 1,901,874</u> |

Town of Montverde, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position-
Proprietary Fund
Year Ended September 30, 2021

| | <u>Water Fund</u> |
|---|----------------------------|
| Revenues: | |
| User charges | \$ 441,960 |
| Total operating revenues | <u>441,960</u> |
| Operating expenses: | |
| Salaries and benefits | 98,737 |
| Contractual services | 50,913 |
| Repairs and maintenance | 48,577 |
| Other supplies and expenses | 94,990 |
| Depreciation | 97,005 |
| Total operating expenses | <u>390,222</u> |
| Operating income (loss) | <u>51,738</u> |
| Income (loss) before capital contributions and transfers | <u>51,738</u> |
| Impact fees | <u>97,456</u> |
| Change in net position | 149,194 |
| Total net position, beginning | <u>1,752,680</u> |
| Total net position, ending | <u><u>\$ 1,901,874</u></u> |

Town of Montverde, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2021

| | <u>Water Fund</u> |
|---|-------------------|
| Cash Flows from Operating Activities: | |
| Receipts from customers | \$ 422,656 |
| Payments to suppliers | (291,836) |
| Payments to employees | (139,191) |
| | <u>(8,371)</u> |
| Net cash used by operating activities | <u>(8,371)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Decrease in due from other funds | 4,227 |
| | <u>4,227</u> |
| Net cash provided by noncapital financing activities | <u>4,227</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Acquisition of capital assets | (106,869) |
| Impact fees | 97,456 |
| | <u>(9,413)</u> |
| Net cash provided by capital and related financing activities | <u>(9,413)</u> |
| Net decrease in cash and cash equivalents | (13,557) |
| Cash and cash equivalents, beginning | 128,358 |
| | <u>128,358</u> |
| Cash and cash equivalents, ending | <u>\$ 114,801</u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities | |
| Operating income (loss) | \$ 51,738 |
| Adjustments Not Affecting Cash: | |
| Depreciation and amortization | 97,005 |
| Change in Assets and Liabilities: | |
| Decrease (increase) in accounts receivable | (7,705) |
| Decrease (increase) deferred outflows | (8,115) |
| Increase (decrease) in accounts payable | (97,356) |
| Increase (decrease) in accrued liabilities | 1,329 |
| Increase (decrease) in customer deposits | (5,788) |
| Increase (decrease) in unearned revenues | (5,811) |
| Increase (decrease) in net pension liability | (69,393) |
| Increase (decrease) in deferred inflows | 35,725 |
| | <u>(60,109)</u> |
| Total adjustments | <u>(60,109)</u> |
| Net cash used by operating activities | <u>\$ (8,371)</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *Town of Montverde*, Florida ("the Town") is a political subdivision of the state of Florida located in Lake County. The *Town of Montverde* was originally incorporated under the laws of the State of Florida on May 18, 1925. The legislative branch of the Town is composed of a Mayor and a five (5) member elected Council. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Town Manager. The Town provides the following services authorized by its charter: public safety (law enforcement and fire control), roads and streets, culture and recreation, planning and zoning, and water utility services.

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The government reports the following funds:

Major Governmental Funds

General Fund - the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ARPA Special Revenue Fund is a special revenue fund to track the proceeds and expenditures of the Town's American Rescue Plan Act funding.

Major Proprietary Funds

Water Fund is used to account for the operations of the Town's water system, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance:

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the Town are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The Town's investments consist of investments authorized per Section 218.415, Florida Statutes.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the Town. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The use of certain assets of the Water fund may be restricted by specific provisions of town ordinances and/or agreements with various parties. Assets so designated are identified as restricted assets on the balance sheet.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town's capitalization policy as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 30-40 |
| Improvements | 10-20 |
| Infrastructure | 50 |
| Machinery and equipment | 3-15 |
| Water system | 20-50 |
| Intangibles | 5-10 |

Compensated Absences

The Town provides paid time off (PTO) for its employees. Effective July 2017, policy was updated to allow employees to cash out up to 50% of their banked hours after voluntarily leaving employment. No payout will be given if terminated from employment. Since balances are historically low, there are no amounts accrued on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The Town has no long-term debt outstanding at September 30, 2021.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category, which is the deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category, which is the deferred inflows of pension earnings and unavailable revenue.

Net Position Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the town's highest level of decision-making authority. The Council is the highest level of decision-making authority for the town that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the town for specific purposes but do not meet the criteria to be classified as committed. The council has maintained authority to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In fiscal year 2021, the Town has not implemented any new accounting standards with a material effect on the Town's financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the end of the fiscal year, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) The general summary of the budget and notice of public hearing is published in the local newspaper. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, budgets are legally enacted through passage of an ordinance or resolution.
- (3) Any transfer of budgeted amounts within and between divisions and departments must be approved by a majority vote of the Town Council and any revisions that alter the total appropriations of any fund must be approved by a majority vote of the Town Council. The level of classification detail at which expenditures may not legally exceed appropriations is the department level.
- (4) Appropriations lapse at the close of the fiscal year to the extent they have not been expended.
- (5) Budgets are adopted for the general fund on a basis consistent with accounting principles generally accepted in the United States of America. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.
- (6) The Town Council, by ordinance or resolution, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

Excess Expenditures over Appropriations

Expenditures in the physical environment department exceeded appropriations in the general fund. These excess expenditures were funded by greater than anticipated revenues and available fund balance.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

All bank deposits were covered by Federal Depository Insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the Town's own data in measuring unobservable inputs. The Town had no investments as defined by GASB Statement No. 72 as of September 30, 2021.

The Town's investment policies are governed by Florida Statutes, which allow the following investments:

- (a) Florida Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP)
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- (c) Interest bearing time deposit or savings accounts in qualified public depositories
- (d) Direct obligations of the U.S. Treasury

The Town does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The Town policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2021, all of the Town's bank deposits were in qualified public depositories.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2021 are as follows:

| | <u>General Fund</u> | <u>Water Fund</u> | <u>Total</u> |
|--|-------------------------|-----------------------|------------------|
| Receivables: | | | |
| Accounts | \$ 42,353 | \$ 40,287 | \$ 82,640 |
| Less allowance for uncollectible accounts | <u>(235)</u> | <u>(662)</u> | <u>(897)</u> |
| | <u>\$ 42,118</u> | <u>\$ 39,625</u> | <u>\$ 81,743</u> |

NOTE 5 CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, Not being Depreciated: | | | | |
| Land | \$ 490,804 | \$ - | \$ - | \$ 490,804 |
| Total capital assets, not being depreciated | <u>490,804</u> | <u>-</u> | <u>-</u> | <u>490,804</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | 1,070,079 | - | - | 1,070,079 |
| Improvements | 1,225,999 | 93,880 | - | 1,319,879 |
| Infrastructure | 1,233,325 | - | - | 1,233,325 |
| Machinery and equipment | 1,294,888 | 71,006 | (528,529) | 837,365 |
| Intangibles | 9,729 | - | - | 9,729 |
| Total capital assets, being depreciated | <u>4,834,020</u> | <u>164,886</u> | <u>(528,529)</u> | <u>4,470,377</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (429,236) | (24,751) | - | (453,987) |
| Improvements | (700,974) | (62,178) | - | (763,152) |
| Infrastructure | (842,404) | (25,620) | - | (868,024) |
| Machinery and equipment | (1,190,925) | (14,554) | 506,590 | (698,889) |
| Intangibles | (2,091) | (973) | - | (3,064) |
| Total accumulated depreciation | <u>(3,165,630)</u> | <u>(128,076)</u> | <u>506,590</u> | <u>(2,787,116)</u> |
| Total capital assets, being depreciated, net | <u>1,668,390</u> | <u>36,810</u> | <u>(21,939)</u> | <u>1,683,261</u> |
| Government activities capital assets, net | <u>\$ 2,159,194</u> | <u>\$ 36,810</u> | <u>\$ (21,939)</u> | <u>\$ 2,174,065</u> |

NOTE 5 CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Business-type Activities: | | | | |
| Capital assets, Not Being Depreciated: | | | | |
| Land | \$ 300,963 | \$ - | \$ - | \$ 300,963 |
| Work-in-progress | 20,801 | 64,350 | - | 85,151 |
| Total capital assets, not being depreciated | 321,764 | 64,350 | - | 386,114 |
| Capital Assets, Being Depreciated: | | | | |
| Water system | 2,378,248 | - | - | 2,378,248 |
| Machinery and equipment | 353,027 | 42,519 | - | 395,546 |
| Intangibles | 15,259 | - | - | 15,259 |
| Total capital assets, being depreciated | 2,746,534 | 42,519 | - | 2,789,053 |
| Less Accumulated Depreciation for: | | | | |
| Water system | (1,074,896) | (70,080) | - | (1,144,976) |
| Machinery and equipment | (135,147) | (25,399) | - | (160,546) |
| Intangibles | (3,306) | (1,526) | - | (4,832) |
| Total accumulated depreciation | (1,213,349) | (97,005) | - | (1,310,354) |
| Total capital assets, being depreciated, net | 1,533,185 | (54,486) | - | 1,478,699 |
| Business-type activities capital assets, net | \$ 1,854,949 | \$ 9,864 | \$ - | \$ 1,864,813 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|-------------------|
| Governmental Activities: | |
| General government | \$ 25,564 |
| Public safety | 12,754 |
| Transportation | 29,862 |
| Culture and recreation | 59,896 |
| Total depreciation expense, governmental activities | \$ 128,076 |
| Business-type Activities: | |
| Water | \$ 97,005 |
| Total depreciation expense, business type activities | \$ 97,005 |

NOTE 6 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------|--------------------|-------------------|------------------------|
| Governmental Activities: | | | | | |
| Net pension liability | \$ 158,989 | \$ - | \$ (8,363) | \$ 150,626 | \$ - |
| Governmental activity long-term liabilities | <u>\$ 158,989</u> | <u>\$ -</u> | <u>\$ (8,363)</u> | <u>\$ 150,626</u> | <u>\$ -</u> |
| Business-Type Activities: | | | | | |
| Net pension liability | \$ 103,399 | \$ - | \$ (69,393) | \$ 34,006 | \$ - |
| Business-type activity long-term liabilities | <u>\$ 103,399</u> | <u>\$ -</u> | <u>\$ (69,393)</u> | <u>\$ 34,006</u> | <u>\$ -</u> |

NOTE 7 FLORIDA RETIREMENT SYSTEM

Plan Description

Town employees participate in the Florida Retirement System ("FRS"), a cost-sharing multiple employer public employee retirement plan administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Early retirement benefits may also be provided; however, there is a reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. There is a 3% requirement for employees to contribute to FRS effective July 1, 2011.

The 2007 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support the FRS Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.405, Florida Statutes, FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS defined benefit pension plan. Employers contribute based upon blended rates determined as a percentage of the total payroll for each class or subclass of FRS membership, regardless of which retirement plan individuals elect.

The State of Florida issues a report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, Tallahassee, Florida 32399-1560.

Funding Policy

The FRS has ten (10) classes of membership. Only two (2) classes are applicable to the Town's eligible employees. These classes, with descriptions and contribution rates in effect during the period ended September 30, 2021 are as follows:

Regular Class

Members not qualifying for other classes (13.82% [includes 3% employee contribution] from July 1, 2021 through September 30, 2021 and 13.00% [includes 3% employee contribution] from October 1, 2020 through June 30, 2021).

Senior Management Service Class

Members of senior management who do not elect the optional annuity retirement program (32.01% [includes 3% employee contribution] from July 1, 2021 through September 30, 2021 and 30.29% [includes 3% employee contribution] from October 1, 2020 through June 30, 2021).

NOTE 7 **FLORIDA RETIREMENT SYSTEM (CONTINUED)**

These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively.

Pension Plan (FRS)

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

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 three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

The Town's contributions to the Pension Plan totaled \$38,108 for the fiscal year ended September 30, 2021.

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

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

At September 30, 2021, the Town reported a liability of \$63,474 for its proportionate share of the Pension 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 Town's proportionate share of the net pension liability was based on the Town's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Town's proportionate share was .00084 percent, which was an increase (decrease) of .00045 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$25,706. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflow of Resources | Deferred Inflows of Resources |
|--|-------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 10,880 | \$ - |
| Change of Assumptions | 43,432 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 221,445 |
| Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions | 127,004 | 6,926 |
| Pension Plan Contributions Subsequent to the Measurement Date | 9,995 | - |
| | \$ 191,311 | \$ 228,371 |

The deferred outflows of resources related to the Pension Plan, totaling \$9,995 resulting from Town 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 of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

| Year Ended September 30, | |
|--------------------------|-------------|
| 2022 | \$ (3,950) |
| 2023 | (8,588) |
| 2024 | (20,063) |
| 2025 | (32,245) |
| 2026 | 17,791 |
| Thereafter | - |
| | \$ (47,055) |

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.40% |
| Salary Increases | 3.25%, average, including inflation |
| Investment Rate of Return | 6.80%, net of pension plan investment expense, including inflation |

Mortality rates were based on the PUB-2010 base table, projected Generational with scale MP-2018.

The actuarial assumptions used in the June 30, 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 on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation (1)</u> | <u>Annual Arithmetic Return</u> | <u>Compound Annual (Geometric) Return</u> | <u>Standard Deviation</u> |
|-----------------------|------------------------------|---------------------------------|---|---------------------------|
| Cash | 1.00% | 2.10% | 2.10% | 1.10% |
| Fixed income | 20.00% | 3.80% | 3.70% | 3.30% |
| Global equity | 54.20% | 8.20% | 6.70% | 17.80% |
| Real estate | 10.30% | 7.10% | 6.20% | 13.80% |
| Private equity | 10.80% | 11.70% | 8.50% | 26.40% |
| Strategic investments | 3.70% | 5.70% | 5.40% | 8.40% |
| Total | 100.00% | | | |

Assumed inflation - mean 2.40% 1.20%

(1) As outlined in the Pension Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. 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 discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

| | Discount Rate Minus 1% 5.80% | Current Discount Rate 6.80% | Discount Rate Plus 1% 7.80% |
|--|---|--|--|
| Town's Proportionate Share of Net Pension Liability (FRS) | \$ 283,860 | \$ 63,474 | \$ (120,744) |

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.

HIS Plan

Plan Description

The 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 fiscal year ended September 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. 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 September 30, 2021, the HIS contribution for the period October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021 was 1.66% and 1.66%, respectively. The Town 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled \$6,148 for the fiscal year ended September 30, 2021.

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

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

At September 30, 2021, the Town reported a liability of \$121,158 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, 2021. The Town's proportionate share of the net pension liability was based on the Town's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Town's proportionate share was .00099 percent, which was an increase (decrease) of .00021 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$12,921. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflow of Resources | Deferred Inflows of Resources |
|--|-------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 4,055 | \$ 51 |
| Change of Assumptions | 9,520 | 4,992 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 126 | - |
| Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions | 27,299 | 4,231 |
| Pension Plan Contributions Subsequent to the Measurement Date | 1,459 | - |
| | \$ 42,459 | \$ 9,274 |

The deferred outflows of resources related to the HIS Plan, totaling \$1,459 resulting from Town 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 in pension expense as follows:

| Year Ended September 30, | |
|--------------------------|-----------|
| 2022 | \$ 6,445 |
| 2023 | 4,696 |
| 2024 | 6,008 |
| 2025 | 6,324 |
| 2026 | 6,252 |
| Thereafter | 2,001 |
| | \$ 31,726 |

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2021, 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 |
| Municipal Bond Rate | 2.16% net of pension plan investment expense |

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018 tables.

The actuarial assumptions used in the June 30, 2021, 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 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 HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

| | Discount Rate Minus 1% 1.16% | Current Discount Rate 2.16% | Discount Rate Plus 1% 3.16% |
|--|---|--|--|
| Town's Proportionate Share of Net Pension Liability (FRS) | \$ 140,071 | \$ 121,158 | \$ 105,664 |

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.

Investment Plan

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

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

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. Town 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, Senior Management, etc.), as the Pension 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 the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2021 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, and Senior Management Service class 7.67%.

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 Pension Plan is transferred to the Investment Plan, the member must have the years of service required for 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 September 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 Town.

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 Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town made no contributions during the year ended September 30, 2021, as no employees had elected to participate.

Defined Contribution Plan

Subsequent to year end, the Town established a new 401(a) plan for the town manager. The town will contribute 29% of compensation. Employees are required to contribute 3% of compensation.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Litigation

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the Town.

The Town has received notice of a challenge to impact fees assessed. The case is ongoing, and no amounts have been accrued related to this litigation.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

In accordance with Florida Statutes Section 112.0801, the Town makes continued group health insurance through the Town's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirement have been met. This benefit has no cost to the Town, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree.

The Town currently has no OPEB liability due to the following conditions:

The only other post-employment benefit the Town offers is the ability for retirees to self-pay under the Town's group health plan.

The average number of self-paying retirees at any one time has not exceeded one for the last five years.

The Town does not expect this situation to change in the foreseeable future.

Accordingly, the Town has a net OPEB obligation at September 30, 2021 of zero.

NOTE 10 SUBSEQUENT EVENTS

Subsequent to year end, the Town signed a Master Equipment Lease/Purchase Agreement, the amount of the lease is approximately \$117,000. The Town received the funds in a separate bank account, and the new account is used when the equipment is purchased.

In addition, after year end, the Town received approval of SRF loan 351300 for \$163,125 and an interest rate of 1.67%. No amounts have been drawn since year end.

As discussed in Note 7, subsequent to year end, the Town established a 401(a) defined contribution plan for the town manager position.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Montverde, Florida
Required Supplementary Information
Year Ended September 30, 2021

**Florida Retirement System
Last 10 Fiscal Years***

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Town's Proportion of the Net Pension Liability | 0.00084% | 0.00039% | 0.00034% | 0.00040% | 0.00037% | 0.00038% | 0.00039% |
| Town's Proportionate Share of the Net Pension Liability | \$ 63,474 | \$ 167,371 | \$ 116,406 | \$ 119,847 | \$ 109,476 | \$ 96,922 | \$ 50,328 |
| Town's Covered Payroll | \$ 396,124 | \$ 309,625 | \$ 314,738 | \$ 258,247 | \$ 263,947 | \$ 232,360 | \$ 248,515 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 16.02% | 54.06% | 36.99% | 46.41% | 41.48% | 41.71% | 20.25% |
| 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% |

**Health Insurance Subsidy
Last 10 Fiscal Years***

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Town's Proportion of the Net Pension Liability | 0.00099% | 0.00078% | 0.00070% | 0.00074% | 0.00072% | 0.00076% | 0.00076% |
| Town's Proportionate Share of the Net Pension Liability | \$ 121,158 | \$ 95,017 | \$ 78,069 | \$ 78,754 | \$ 76,464 | \$ 88,867 | \$ 77,173 |
| Town's Covered Payroll | \$ 396,124 | \$ 309,625 | \$ 314,738 | \$ 258,247 | \$ 263,947 | \$ 232,360 | \$ 248,515 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 30.59% | 30.69% | 24.80% | 30.50% | 28.97% | 38.25% | 31.05% |
| 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% |

*only seven years of data available

**Florida Retirement System
Last 10 Fiscal Years***

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 38,108 | \$ 13,876 | \$ 11,043 | \$ 11,123 | \$ 9,136 | \$ 10,051 | \$ 9,344 |
| Contributions in Relation to the Contractually Required Contributions | 38,108 | 13,876 | 11,043 | 11,123 | 9,136 | 10,051 | 9,344 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's Covered Payroll | \$ 396,124 | \$ 309,625 | \$ 314,738 | \$ 258,247 | \$ 263,947 | \$ 232,360 | \$ 248,515 |
| Contributions as a Percentage of Covered Payroll | 9.62% | 4.48% | 3.51% | 4.31% | 3.46% | 4.33% | 3.76% |

**Health Insurance Subsidy
Last 10 Fiscal Years***

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 6,148 | \$ 4,623 | \$ 4,040 | \$ 4,006 | \$ 3,765 | \$ 3,802 | \$ 2,992 |
| Contributions in Relation to the Contractually Required Contributions | 6,148 | 4,623 | 4,040 | 4,006 | 3,765 | 3,802 | 2,992 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's Covered Payroll | \$ 396,124 | \$ 309,625 | \$ 314,738 | \$ 258,247 | \$ 263,947 | \$ 232,360 | \$ 248,515 |
| Contributions as a Percentage of Covered Payroll | 1.55% | 1.49% | 1.28% | 1.55% | 1.43% | 1.64% | 1.20% |

*only seven years of data available

COMPLIANCE SECTION